

# HOUSE BILL No. 4527

March 10, 2009, Introduced by Reps. Rogers, Moss, Denby, McMillin, Knollenberg and Kowall and referred to the Committee on Labor.

A bill to amend 1980 PA 300, entitled "The public school employees retirement act of 1979," by amending sections 4, 8, 25, 26, 34, and 61 (MCL 38.1304, 38.1308, 38.1325, 38.1326, 38.1334, and 38.1361), section 4 as amended by 2008 PA 354, sections 8, 25, and 26 as amended by 1997 PA 143, section 34 as amended by 2002 PA 94, and section 61 as amended by 2006 PA 158, and by adding sections 41b, 109, 110, 111, and 112 and article 7.

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

1           Sec. 4. (1) "Compound interest" means interest compounded  
2 annually on July 1 on the contributions on account as of the  
3 previous July 1 and computed at the rate of investment return  
4 determined under section 104a(1) for the last completed state

1 fiscal year.

2 (2) "Contributory service" means credited service other than  
3 noncontributory service.

4 (3) "Deferred member" means a member who has ceased to be a  
5 public school employee and has satisfied the requirements of  
6 section 82 for a deferred vested service retirement allowance.

7 (4) "Department" means the department of management and  
8 budget.

9 (5) "Designated date" means September 30, 2006.

10 (6) "Direct rollover" means a payment by the retirement system  
11 to the eligible retirement plan specified by the distributee.

12 (7) "Distributee" includes a member or deferred member.  
13 Distributee also includes the member's or deferred member's  
14 surviving spouse or the member's or deferred member's spouse or  
15 former spouse under an eligible domestic relations order, with  
16 regard to the interest of the spouse or former spouse.

17 (8) Beginning January 1, 2002, except as otherwise provided in  
18 this subsection, "eligible retirement plan" means 1 or more of the  
19 following:

20 (a) An individual retirement account described in section  
21 408(a) of the internal revenue code, 26 USC 408.

22 (b) An individual retirement annuity described in section  
23 408(b) of the internal revenue code, 26 USC 408.

24 (c) An annuity plan described in section 403(a) of the  
25 internal revenue code, 26 USC 403.

26 (d) A qualified trust described in section 401(a) of the  
27 internal revenue code, 26 USC 401.

1 (e) An annuity contract described in section 403(b) of the  
2 internal revenue code, 26 USC 403.

3 (f) An eligible plan under section 457(b) of the internal  
4 revenue code, 26 USC 457, which is maintained by a state, political  
5 subdivision of a state, or an agency or instrumentality of a state  
6 or political subdivision of a state and which agrees to separately  
7 account for amounts transferred into such eligible plan under  
8 section 457(b) of the internal revenue code, 26 USC 457, from this  
9 retirement system, that accepts the distributee's eligible rollover  
10 distribution. However, in the case of an eligible rollover  
11 distribution to a surviving spouse, an eligible retirement plan  
12 means an individual retirement account or an individual retirement  
13 annuity described above.

14 (g) Beginning January 1, 2008, except as otherwise provided in  
15 this subsection, "eligible retirement plan" means a Roth individual  
16 retirement account as described in section 408A of the internal  
17 revenue code, 26 USC 408A.

18 (9) Beginning January 1, 2007, "eligible rollover  
19 distribution" means a distribution of all or any portion of the  
20 balance to the credit of the distributee. Eligible rollover  
21 distribution does not include any of the following:

22 (a) A distribution made for the life or life expectancy of the  
23 distributee or the joint lives or joint life expectancies of the  
24 distributee and the distributee's designated beneficiary.

25 (b) A distribution for a specified period of 10 years or more.

26 (c) A distribution to the extent that the distribution is  
27 required under section 401(a)(9) of the internal revenue code, 26

1 USC 401.

2 (d) The portion of any distribution that is not includable in  
3 federal gross income, except to the extent such portion of the  
4 distribution is paid to any of the following:

5 (i) An individual retirement account or annuity described in  
6 section 408(a) or 408(b) of the internal revenue code, 26 USC 408.

7 (ii) A qualified plan described in section 401(a) of the  
8 internal revenue code, 26 USC 401, or an annuity contract described  
9 in section 403(b) of the internal revenue code, 26 USC 403, and the  
10 plan providers agree to separately account for the amounts paid,  
11 including any portion of the distribution that is includable in  
12 federal gross income, and the portion of the distribution which is  
13 not so includable.

14 (10) "Employee organization professional services leave" or  
15 "professional services leave" means a leave of absence that is  
16 renewed annually by the reporting unit so that a member may accept  
17 a position with a public school employee organization to which he  
18 or she belongs and which represents employees of a reporting unit  
19 in employment matters. The member shall be included in membership  
20 of the retirement system during a professional services leave if  
21 all of the conditions of section 71(5) and (6) are satisfied.

22 (11) "Employee organization professional services released  
23 time" or "professional services released time" means a portion of  
24 the school fiscal year during which a member is released by the  
25 reporting unit from his or her regularly assigned duties to engage  
26 in employment matters for a public school employee organization to  
27 which he or she belongs. The member's compensation received or

1 service rendered, or both, as applicable, by a member while on  
2 professional services released time shall be reportable to the  
3 retirement system if all of the conditions of section 71(5) and (6)  
4 are satisfied.

5 (12) "Final average compensation" means the aggregate amount  
6 of a member's compensation earned within the averaging period in  
7 which the aggregate amount of compensation was highest divided by  
8 the member's number of years, including any fraction of a year, of  
9 credited service during the averaging period. The averaging period  
10 shall be 36 consecutive calendar months if the member contributes  
11 to the member investment plan; otherwise, the averaging period  
12 shall be 60 consecutive calendar months. If the member has less  
13 than 1 year of credited service in the averaging period, the number  
14 of consecutive calendar months in the averaging period shall be  
15 increased to the lowest number of consecutive calendar months that  
16 contains 1 year of credited service.

17 (13) "Health benefits" means hospital, medical-surgical, and  
18 sick care benefits and dental, vision, and hearing benefits for  
19 retirants, retirement allowance beneficiaries, and health insurance  
20 dependents provided pursuant to section 91.

21 (14) **"IMPLEMENTATION DATE" MEANS JULY 1, 2010.**

22 (15) ~~(14)~~—"Internal revenue code" means the United States  
23 internal revenue code of 1986.

24 (16) ~~(15)~~—"Long-term care insurance" means group insurance  
25 that is authorized by the retirement system for retirants,  
26 retirement allowance beneficiaries, and health insurance  
27 dependents, as that term is defined in section 91, to cover the

1 costs of services provided to retirants, retirement allowance  
2 beneficiaries, and health insurance dependents, from nursing homes,  
3 assisted living facilities, home health care providers, adult day  
4 care providers, and other similar service providers.

5 (17) ~~(16)~~—"Member investment plan" means the program of member  
6 contributions described in section 43a.

7 (18) **"PLAN DOCUMENT" MEANS THE DOCUMENT THAT CONTAINS THE**  
8 **PROVISIONS AND PROCEDURES OF TIER 2 IN CONFORMITY WITH THIS ACT AND**  
9 **THE INTERNAL REVENUE CODE.**

10 Sec. 8. (1) "Service" means personal service performed as a  
11 public school employee or creditable under this act.

12 (2) "Simple interest" means interest at 1 or more rates per  
13 annum determined by the retirement board.

14 (3) "State of Michigan service" means service performed as a  
15 state employee in the classified or unclassified service under the  
16 state employees' retirement act, 1943 PA 240, MCL 38.1 to 38.69.

17 (4) "Teacher" means a person employed by a reporting unit who  
18 is engaged in teaching, who is engaged in administering and  
19 supervising teaching, or who is under a teacher's contract with a  
20 reporting unit.

21 (5) **"TIER 1" MEANS THE RETIREMENT PLAN AVAILABLE TO A MEMBER**  
22 **UNDER THIS ACT WHO WAS FIRST EMPLOYED BY A REPORTING UNIT BEFORE**  
23 **THE IMPLEMENTATION DATE AND WHO DOES NOT ELECT TO BECOME A**  
24 **QUALIFIED PARTICIPANT OF TIER 2.**

25 (6) **"TIER 2" MEANS THE RETIREMENT PLAN OR PLANS ESTABLISHED**  
26 **PURSUANT TO THE PLAN DOCUMENTS THAT ARE AVAILABLE TO QUALIFIED**  
27 **PARTICIPANTS UNDER SECTIONS 109 TO 112 AND ARTICLE 7.**

1           (7) ~~(5)~~—"Transitional public employment program" means  
2 participation in public service employment programs in the areas of  
3 environmental quality, health care, education, public safety, crime  
4 prevention and control, prison rehabilitation, transportation,  
5 recreation, maintenance of parks, streets, and other public  
6 facilities, solid waste removal, pollution control, housing and  
7 neighborhood improvements, rural development, conservation,  
8 beautification, veterans' outreach, and other fields of human  
9 betterment and community improvement as part of a program of  
10 comprehensive manpower services authorized, undertaken, and  
11 financed under the comprehensive employment and training act of  
12 1973, former Public Law 93-203, 87 Stat. 839.

13           Sec. 25. (1) The board shall have only the rights, authority,  
14 and discretion in the proper discharge of its duties provided in  
15 this act and former 1945 PA 136.

16           (2) ~~The~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE**  
17 retirement board may promulgate rules pursuant to the  
18 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to  
19 24.328, for the implementation and administration of this act. **THE**  
20 **RETIREMENT BOARD SHALL NOT PROMULGATE RULES FOR THE ESTABLISHMENT,**  
21 **IMPLEMENTATION, ADMINISTRATION, OPERATION, INVESTMENT, OR**  
22 **DISTRIBUTION OF A TIER 2 RETIREMENT PLAN.**

23           Sec. 26. (1) **THIS SECTION DOES NOT APPLY TO TIER 2.**

24           (2) ~~(1)~~—The state treasurer shall be treasurer of the  
25 retirement system and shall have investment authority, including  
26 the custodianship of the funds of the retirement system, and shall  
27 have fiduciary responsibility with regard to the investment of

1 funds of the retirement system.

2 (3) ~~(2)~~—The state treasurer shall deposit the funds of the  
3 retirement system in the same manner and subject to the law  
4 governing the deposit of state funds by the treasurer. Income  
5 earned by the retirement system's funds shall be credited to the  
6 respective reserves under this act that earned the income.

7 Sec. 34. (1) The reserve for health benefits is the account to  
8 which payments of reporting units, **SUBSCRIBER COPAYMENTS, AND**  
9 **PAYMENTS BY THE RETIREMENT SYSTEM UNDER SECTION 136** for health  
10 benefits are credited. Benefits payable pursuant to ~~section 91~~  
11 **SECTIONS 91 AND 136** shall be paid from the reserve for health  
12 benefits. The assets and any earnings on the assets contained in  
13 the reserve for health benefits and the health advance funding  
14 subaccount are not to be treated as pension assets for any purpose.

15 (2) The health advance funding subaccount is the account to  
16 which amounts transferred pursuant to section 41 are credited.  
17 Except as otherwise provided in this section, any amounts received  
18 in the health advance funding subaccount and accumulated earnings  
19 on those amounts shall not be expended until the actuarial accrued  
20 liability for health benefits under section 91 is at least 100%  
21 funded. The department may expend funds or transfer funds to  
22 another account to expend for health benefits under section 91 if  
23 the actuarial accrued liability for health benefits under section  
24 91 is at least 100% funded. For each fiscal year that begins after  
25 the first fiscal year in which the actuarial accrued liability for  
26 health benefits under section 91 is at least 100% funded by the  
27 health advance funding subaccount, the amounts may be expended or



1 credited to fund health benefits provided under section 91 as  
2 provided in section 41(2).

3 (3) Notwithstanding any other provision of this section, the  
4 department may transfer amounts from the health advance funding  
5 subaccount to the reserve for employer contributions established in  
6 section 30 if the department does both of the following:

7 (a) At least 45 days before the intended transfer, submits a  
8 request to the chairs of the senate and house appropriations  
9 committees and, at least 15 days before the intended transfer,  
10 obtains the approval of both the senate and house appropriations  
11 committees.

12 (b) Ensures that the request submitted to the senate and house  
13 appropriations committees contains an actuarial valuation prepared  
14 pursuant to section 41 that demonstrates that as of the beginning  
15 of a fiscal year, and after all credits and transfers required by  
16 this act for the previous fiscal year have been made, the sum of  
17 the actuarial value of assets and the actuarial present value of  
18 future normal cost contributions does not exceed the actuarial  
19 present value of benefits.

20 **SEC. 41B. FOR FISCAL YEARS THAT BEGIN ON OR AFTER THE**  
21 **EFFECTIVE DATE OF THIS SECTION, THE ANNUAL LEVEL PERCENTAGE OF**  
22 **PAYROLL CONTRIBUTION RATE AS IT APPLIES TO THE UNFUNDED ACTUARIAL**  
23 **ACCRUED LIABILITY DETERMINED UNDER SECTION 41 SHALL BE BASED ON AND**  
24 **APPLIED TO THE COMBINED PAYROLLS FOR MEMBERS OF TIER 1 AND**  
25 **QUALIFIED PARTICIPANTS OF TIER 2.**

26 Sec. 61. ~~(1)~~—Except as otherwise provided in this section, if  
27 a retirant is receiving a retirement allowance other than a

1 disability allowance payable under this act or under former 1945 PA  
2 136, on account of either age or years of personal service  
3 performed, or both, and becomes employed by a reporting unit **OR IS**  
4 **HIRED ON A CONTRACTUAL BASIS AS AN INDEPENDENT CONTRACTOR BY A**  
5 **REPORTING UNIT**, the following shall take place:

6 (a) The retirant shall not be entitled to a new final average  
7 compensation or additional service credit under this retirement  
8 system unless additional service is performed equivalent to 5 or  
9 more years of service credit or, if the retirant has contributed to  
10 the member investment plan, the equivalent of 3 or more years of  
11 service credit. The retirant may elect to have the retirement  
12 allowance recomputed based on the added credit or the final average  
13 compensation resulting from the added service, or both. A  
14 retirement allowance shall not be recomputed until the retirant  
15 pays into the retirement system an amount equal to the retirant's  
16 new final average compensation multiplied by the percentage  
17 determined under section 41(2) for normal cost and unfunded  
18 actuarial accrued liabilities, not including the percentage  
19 required for the funding of health benefits, multiplied by the  
20 total service credit in the period in which the retirant's  
21 additional service was performed.

22 (b) The retirant's retirement allowance shall be reduced by  
23 the lesser of the amount that the earnings in a calendar year  
24 exceed the amount permitted without a reduction of benefits under  
25 the social security act, chapter 531, 49 Stat. 620, or 1/3 of the  
26 retirant's final average compensation. For purposes of computing  
27 allowable earnings under this subdivision, the final average

1 compensation shall be increased by 5% for each full year of  
2 retirement.

3 ~~—— (2) The retirement system may offset retirement benefits  
4 payable under this act against amounts owed to the retirement  
5 system by a retirant or retirement allowance beneficiary.~~

6 ~~—— (3) Subsection (1) does not apply to a retirant if all of the  
7 following circumstances exist:~~

8 ~~—— (a) The retirant is a former teacher or administrator employed  
9 in a teaching or research capacity by a university that is  
10 considered a reporting unit for the limited purpose described in  
11 section 7(3).~~

12 ~~—— (b) The retirant is not eligible to use any service or  
13 compensation attributable to the employment described in  
14 subdivision (a) for a recomputation of his or her retirement  
15 allowance.~~

16 ~~—— (c) A university that employs a retirant pursuant to this  
17 subsection shall report such employment to the retirement system by  
18 July 1 of each year. The report to be filed shall include the name  
19 of the retirant, the capacity in which the retirant is employed,  
20 and the total annual compensation paid to the retirant.~~

21 ~~—— (4) Until July 1, 2011, subsection (1) does not apply to a  
22 retirant if all of the following circumstances exist:~~

23 ~~—— (a) The retirant is employed by a reporting unit that has an  
24 approved emergency situation, not including a situation caused by a  
25 labor dispute, that necessitates the hiring of a retirant in the  
26 capacity of a teacher, principal, stationary engineer,  
27 administrator, or other category as determined by the~~

1 ~~superintendent of public instruction to prevent depriving students~~  
2 ~~of an education. The chief executive officer or superintendent of~~  
3 ~~the school district shall include with the written notification~~  
4 ~~documentation showing that more than 8% of all classes in the~~  
5 ~~district during the 1998-99 school year are taught by full-time~~  
6 ~~substitute teachers who are not certificated in the subjects or~~  
7 ~~grade levels which they teach. Within 30 days after receipt of the~~  
8 ~~notification and documentation under this subdivision, the~~  
9 ~~department of education shall notify the chief executive officer or~~  
10 ~~superintendent and the retirement system of its approval or~~  
11 ~~disapproval of the emergency situation. If disapproved by the~~  
12 ~~department of education, this subsection does not apply.~~

13 ~~—— (b) The retirant is employed under an emergency situation~~  
14 ~~described in subdivision (a) for a period not to exceed 6 years.~~

15 ~~—— (c) The retirant is not eligible to use any service or~~  
16 ~~compensation attributable to the employment described in~~  
17 ~~subdivision (a) for a recomputation of his or her retirement~~  
18 ~~allowance.~~

19 ~~—— (5) On or before July 1, 1999, the state superintendent of~~  
20 ~~public instruction shall compile a listing of critical shortage~~  
21 ~~disciplines. This listing shall be updated annually.~~

22 ~~—— (6) Until July 1, 2011, subsection (1) does not apply to a~~  
23 ~~retirant if all of the following circumstances exist:~~

24 ~~—— (a) The retirant is employed by a reporting unit that has a~~  
25 ~~situation, not including a situation caused by a labor dispute,~~  
26 ~~that necessitates the hiring of a retirant in an area that has been~~  
27 ~~identified by the state superintendent of public instruction as a~~

1 ~~critical shortage discipline pursuant to subsection (5).~~

2 ~~—— (b) The retirant is employed under a situation described in~~  
3 ~~subdivision (a) for a period not to exceed 6 years.~~

4 ~~—— (c) The retirant is not eligible to use any service or~~  
5 ~~compensation attributable to the employment described in~~  
6 ~~subdivision (a) for a recomputation of his or her retirement~~  
7 ~~allowance.~~

8 ~~—— (7) The provisions of subsections (4) and (6) shall only apply~~  
9 ~~for retirants who have been retired for at least 12 months before~~  
10 ~~becoming employed under this section.~~

11           **SEC. 109. (1) AN INDIVIDUAL WHO WAS A DEFERRED MEMBER OR**  
12 **FORMER NONVESTED MEMBER ON THE DAY BEFORE THE IMPLEMENTATION DATE,**  
13 **WHO IS EMPLOYED BY A REPORTING UNIT ON OR AFTER THE IMPLEMENTATION**  
14 **DATE, AND WHO BY VIRTUE OF THAT EMPLOYMENT WOULD BE ELIGIBLE FOR**  
15 **MEMBERSHIP IN TIER 1 MAY MAKE AN ELECTION AS PRESCRIBED IN SECTION**  
16 **110.**

17           **(2) AN INDIVIDUAL WHO IS FIRST EMPLOYED AND ENTERED UPON THE**  
18 **PAYROLL OF A REPORTING UNIT ON OR AFTER THE IMPLEMENTATION DATE**  
19 **SHALL BECOME A QUALIFIED PARTICIPANT OF TIER 2. THE DATE OF**  
20 **MEMBERSHIP IN TIER 1 OR PARTICIPATION IN TIER 2 UNDER THIS**  
21 **SUBSECTION DATES BACK TO THE DATE THE INDIVIDUAL WAS FIRST EMPLOYED**  
22 **AND ENTERED UPON THE PAYROLL OF A REPORTING UNIT.**

23           **SEC. 110. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2),**  
24 **THE RETIREMENT SYSTEM SHALL PROVIDE AN OPPORTUNITY FOR EACH MEMBER**  
25 **WHO IS A TIER 1 MEMBER ON THE DAY BEFORE THE IMPLEMENTATION DATE,**  
26 **TO ELECT IN WRITING TO TERMINATE MEMBERSHIP IN TIER 1 AND ELECT TO**  
27 **BECOME A QUALIFIED PARTICIPANT IN TIER 2. AN ELECTION MADE BY A**

1 MEMBER UNDER THIS SUBSECTION IS IRREVOCABLE. THE RETIREMENT SYSTEM  
2 SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS SUBSECTION FROM MEMBERS  
3 DURING THE PERIOD BEGINNING ON APRIL 30, 2010 AND ENDING ON JUNE  
4 30, 2010. A MEMBER WHO DOES NOT MAKE A WRITTEN ELECTION OR WHO DOES  
5 NOT FILE THE ELECTION DURING THE PERIOD SPECIFIED IN THIS  
6 SUBSECTION CONTINUES TO BE A MEMBER OF TIER 1. A MEMBER WHO MAKES  
7 AND FILES A WRITTEN ELECTION UNDER THIS SUBSECTION ELECTS TO DO ALL  
8 OF THE FOLLOWING:

9 (A) CEASE TO BE A MEMBER OF TIER 1 EFFECTIVE 12 MIDNIGHT ON  
10 JUNE 30, 2010.

11 (B) BECOME A QUALIFIED PARTICIPANT IN TIER 2 EFFECTIVE 12:01  
12 A.M. ON JULY 1, 2010.

13 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE  
14 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT  
15 ALLOWANCE, OR ANY OTHER BENEFIT UNDER TIER 1 EFFECTIVE 12 MIDNIGHT  
16 ON THE DAY DESCRIBED IN SUBDIVISION (A). THIS SUBDIVISION DOES NOT  
17 AFFECT A PERSON'S RIGHT TO HEALTH BENEFITS PROVIDED UNDER THIS ACT  
18 PURSUANT TO SECTION 136.

19 (2) THIS SUBSECTION APPLIES TO AN INDIVIDUAL WHO WAS A VESTED  
20 MEMBER OF TIER 1 ON THE DAY BEFORE THE IMPLEMENTATION DATE AND WHO  
21 TERMINATES THE EMPLOYMENT UPON WHICH THAT MEMBERSHIP IS BASED ON OR  
22 AFTER THE IMPLEMENTATION DATE BUT ON OR BEFORE DECEMBER 31, 2010.  
23 BEFORE THE TERMINATION OF HIS OR HER EMPLOYMENT, AN INDIVIDUAL  
24 DESCRIBED IN THIS SUBSECTION MAY ELECT IN WRITING TO TERMINATE  
25 MEMBERSHIP IN TIER 1 AND BECOME A QUALIFIED PARTICIPANT IN TIER 2.  
26 AN ELECTION MADE BY A MEMBER UNDER THIS SUBSECTION IS IRREVOCABLE.  
27 THE RETIREMENT SYSTEM SHALL ACCEPT WRITTEN ELECTIONS UNDER THIS

1 SUBSECTION FROM A MEMBER DURING THE PERIOD BEGINNING ON THE  
2 IMPLEMENTATION DATE AND ENDING ON DECEMBER 31, 2010. A MEMBER  
3 DESCRIBED IN THIS SUBSECTION WHO DOES NOT MAKE A WRITTEN ELECTION  
4 OR WHO DOES NOT FILE THE ELECTION BEFORE THE TERMINATION OF HIS OR  
5 HER EMPLOYMENT CONTINUES TO BE A MEMBER OR DEFERRED MEMBER OF TIER  
6 1. A MEMBER WHO MAKES AND FILES A WRITTEN ELECTION UNDER THIS  
7 SUBSECTION TO TERMINATE MEMBERSHIP IN TIER 1 ELECTS TO DO ALL OF  
8 THE FOLLOWING:

9 (A) CEASE TO BE A MEMBER OF TIER 1 AND BECOME A QUALIFIED  
10 PARTICIPANT IN TIER 2 EFFECTIVE 12 MIDNIGHT ON THE DAY IMMEDIATELY  
11 PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.

12 (B) BECOME A FORMER QUALIFIED PARTICIPANT IN TIER 2 EFFECTIVE  
13 12:01 A.M. ON THE DAY IMMEDIATELY FOLLOWING THE DATE DESCRIBED IN  
14 SUBDIVISION (A).

15 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE  
16 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT  
17 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER 1  
18 EFFECTIVE 12 MIDNIGHT ON THE DATE DESCRIBED IN SUBDIVISION (A).  
19 THIS SUBDIVISION DOES NOT AFFECT AN INDIVIDUAL'S RIGHT TO HEALTH  
20 BENEFITS PROVIDED UNDER THIS ACT PURSUANT TO SECTION 136.

21 (3) IF AN INDIVIDUAL WHO WAS A DEFERRED MEMBER ON THE DAY  
22 BEFORE THE IMPLEMENTATION DATE OR AN INDIVIDUAL WHO WAS A FORMER  
23 NONVESTED MEMBER ON THE DAY BEFORE THE IMPLEMENTATION DATE IS  
24 EMPLOYED BY A REPORTING UNIT ON OR AFTER THE IMPLEMENTATION DATE  
25 AND BY VIRTUE OF THAT EMPLOYMENT IS AGAIN ELIGIBLE FOR MEMBERSHIP  
26 IN TIER 1, THE INDIVIDUAL SHALL ELECT IN WRITING TO REMAIN A MEMBER  
27 OF TIER 1 OR TO TERMINATE MEMBERSHIP IN TIER 1 AND BECOME A

1 QUALIFIED PARTICIPANT IN TIER 2. AN ELECTION MADE BY A DEFERRED  
2 MEMBER OR A FORMER NONVESTED MEMBER UNDER THIS SUBSECTION IS  
3 IRREVOCABLE. THE RETIREMENT SYSTEM SHALL ACCEPT WRITTEN ELECTIONS  
4 UNDER THIS SUBSECTION FROM A DEFERRED MEMBER OR A FORMER NONVESTED  
5 MEMBER DURING THE PERIOD BEGINNING ON THE DATE OF THE INDIVIDUAL'S  
6 REEMPLOYMENT AND ENDING UPON THE EXPIRATION OF 60 DAYS AFTER THE  
7 DATE OF THAT REEMPLOYMENT. A DEFERRED MEMBER OR FORMER NONVESTED  
8 MEMBER WHO MAKES AND FILES A WRITTEN ELECTION TO REMAIN A MEMBER OF  
9 TIER 1 RETAINS ALL RIGHTS AND IS SUBJECT TO ALL CONDITIONS AS A  
10 MEMBER OF TIER 1 UNDER THIS ACT. A DEFERRED MEMBER OR FORMER  
11 NONVESTED MEMBER WHO DOES NOT MAKE A WRITTEN ELECTION OR WHO DOES  
12 NOT FILE THE ELECTION DURING THE PERIOD SPECIFIED IN THIS  
13 SUBSECTION CONTINUES TO BE A MEMBER OF TIER 1. A DEFERRED MEMBER OR  
14 FORMER NONVESTED MEMBER WHO MAKES AND FILES A WRITTEN ELECTION TO  
15 TERMINATE MEMBERSHIP IN TIER 1 ELECTS TO DO ALL OF THE FOLLOWING:

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

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

22 (C) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, WAIVE  
23 ALL OF HIS OR HER RIGHTS TO A PENSION, AN ANNUITY, A RETIREMENT  
24 ALLOWANCE, AN INSURANCE BENEFIT, OR ANY OTHER BENEFIT UNDER TIER 1  
25 EFFECTIVE 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT  
26 INCLUDES THE DATE OF THE ELECTION. THIS SUBDIVISION DOES NOT AFFECT  
27 AN INDIVIDUAL'S RIGHT TO HEALTH BENEFITS PROVIDED UNDER THIS ACT



1 PURSUANT TO SECTION 136.

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

11 (5) AN ELECTION UNDER THIS SECTION IS SUBJECT TO THE ELIGIBLE  
12 DOMESTIC RELATIONS ORDER ACT, 1991 PA 46, MCL 38.1701 TO 38.1711.

13 (6) IF AN INDIVIDUAL WHO WAS A DEFERRED MEMBER OF THE STATE  
14 EMPLOYEES' RETIREMENT SYSTEM ON THE DAY BEFORE THE IMPLEMENTATION  
15 DATE IS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF A REPORTING  
16 UNIT ON OR AFTER THE IMPLEMENTATION DATE, THE RETIREMENT SYSTEM  
17 SHALL PROVIDE AN OPPORTUNITY FOR THAT INDIVIDUAL TO ELECT IN  
18 WRITING TO BECOME A MEMBER OF TIER 1 OR TO BECOME A QUALIFIED  
19 PARTICIPANT OF TIER 2. THE RETIREMENT SYSTEM AND THE INDIVIDUAL  
20 SHALL FOLLOW THE PROVISIONS AND PROCEDURES PROVIDED IN THIS SECTION  
21 AND BY THE DEPARTMENT AS IF THE INDIVIDUAL WERE A DEFERRED MEMBER  
22 OF TIER 1 ON THE DAY BEFORE THE IMPLEMENTATION DATE.

23 (7) IF THE DEPARTMENT RECEIVES NOTIFICATION FROM THE UNITED  
24 STATES INTERNAL REVENUE SERVICE THAT THIS SECTION OR ANY PORTION OF  
25 THIS SECTION WILL CAUSE THE RETIREMENT SYSTEM TO BE DISQUALIFIED  
26 FOR TAX PURPOSES UNDER THE INTERNAL REVENUE CODE, THEN THE PORTION  
27 THAT WILL CAUSE THE DISQUALIFICATION DOES NOT APPLY.

1           SEC. 111. (1) FOR A MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP  
2 IN TIER 1 UNDER SECTION 110(1), THE RETIREMENT SYSTEM SHALL DIRECT  
3 THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE  
4 APPROPRIATE RESERVE CREATED UNDER ARTICLE 2 TO THE QUALIFIED  
5 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE JULY 1, 2010. THE  
6 RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE TRANSFERRED,  
7 WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

8           (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE  
9 RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MIDNIGHT JUNE 30, 2010.

10           (B) FOR A MEMBER WHO IS A PARTICIPANT IN THE MEMBER INVESTMENT  
11 PLAN, THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE  
12 RESERVE FOR MEMBER INVESTMENT PLAN AS OF 12 MIDNIGHT JUNE 30, 2010.

13           (C) FOR A MEMBER WHO IS VESTED UNDER SECTION 81 AS OF 12  
14 MIDNIGHT JUNE 30, 2010, THE EXCESS, IF ANY, OF THE ACTUARIAL  
15 PRESENT VALUE OF THE MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER  
16 THE AMOUNT SPECIFIED IN SUBDIVISIONS (A) AND (B), FROM THE RESERVE  
17 FOR EMPLOYER CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUBSECTION (7),  
18 FOR THE PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE  
19 MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE MEMBER'S  
20 ACTUAL CREDITED SERVICE AND ACTUAL FINAL AVERAGE COMPENSATION AS OF  
21 12 MIDNIGHT JUNE 30, 2010. THE ACTUARIAL PRESENT VALUE SHALL BE  
22 COMPUTED AS OF 12 MIDNIGHT JUNE 30, 2010 AND SHALL BE BASED ON THE  
23 FOLLOWING:

24           (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
25 ANNUALLY.

26           (ii) A 50% MALE AND 50% FEMALE GENDER NEUTRAL BLEND OF THE  
27 MORTALITY TABLES USED TO PROJECT RETIRANT LONGEVITY IN THE MOST

1 RECENT ACTUARIAL VALUATION REPORT.

2 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S  
3 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT JUNE 30, 2010. THE  
4 BENEFIT COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING, BUT  
5 SHALL NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT JUNE  
6 30, 2010:

7 (A) AGE 60.

8 (B) AGE 55, IF THE MEMBER'S ESTIMATED CREDITED SERVICE EQUALS  
9 OR EXCEEDS 30 YEARS.

10 (C) THE AGE OF THE MEMBER IF THE MEMBER'S CREDITED SERVICE  
11 EQUALS OR EXCEEDS 30 YEARS AND THE MEMBER CONTRIBUTES TO THE MEMBER  
12 INVESTMENT PLAN.

13 (D) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A),  
14 (B), AND (C) FROM JULY 1, 2010 TO THE DATE OF THE TRANSFER, BASED  
15 UPON 8% ANNUAL INTEREST, COMPOUNDED ANNUALLY.

16 (2) FOR A MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER 1  
17 UNDER SECTION 110(2), THE RETIREMENT SYSTEM SHALL DIRECT THE STATE  
18 TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE APPROPRIATE  
19 RESERVE CREATED UNDER ARTICLE 2 TO THE FORMER QUALIFIED  
20 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE THE EXPIRATION OF 60  
21 DAYS AFTER THE DATE OF THE INDIVIDUAL'S TERMINATION OF EMPLOYMENT.  
22 THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE TRANSFERRED,  
23 WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

24 (A) THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE  
25 RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MIDNIGHT ON THE DAY  
26 IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.

27 (B) FOR A MEMBER WHO IS A PARTICIPANT IN THE MEMBER INVESTMENT

1 PLAN, THE MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY, FROM THE  
2 RESERVE FOR MEMBER INVESTMENT PLAN AS OF 12 MIDNIGHT ON THE DAY  
3 IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT.

4 (C) THE EXCESS OF ANY ACTUARIAL PRESENT VALUE OF THE MEMBER'S  
5 ACCUMULATED BENEFIT OBLIGATION, OVER THE AMOUNT SPECIFIED IN  
6 SUBDIVISIONS (A) AND (B), FROM THE RESERVE FOR EMPLOYER  
7 CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUBSECTION (7), FOR THE  
8 PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE MEMBER'S  
9 ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE MEMBER'S ACTUAL  
10 CREDITED SERVICE AND ACTUAL FINAL AVERAGE COMPENSATION AS OF 12  
11 MIDNIGHT ON THE DAY IMMEDIATELY PRECEDING THE DATE OF THE  
12 TERMINATION OF EMPLOYMENT. THE ACTUARIAL PRESENT VALUE SHALL BE  
13 COMPUTED AS OF 12 MIDNIGHT ON THAT DATE AND SHALL BE BASED ON THE  
14 FOLLOWING:

15 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
16 ANNUALLY.

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

20 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S  
21 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT ON THE DAY IMMEDIATELY  
22 PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT. THE BENEFIT  
23 COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING, BUT SHALL  
24 NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT ON THE DAY  
25 IMMEDIATELY PRECEDING THE DATE OF THE TERMINATION OF EMPLOYMENT:

26 (A) AGE 60.

27 (B) AGE 55, IF THE MEMBER'S ESTIMATED CREDITED SERVICE EQUALS

1 OR EXCEEDS 30 YEARS.

2 (C) THE AGE OF THE MEMBER IF THE MEMBER'S CREDITED SERVICE  
3 EQUALS OR EXCEEDS 30 YEARS AND THE MEMBER IS A PARTICIPANT OF THE  
4 MEMBER INVESTMENT PLAN.

5 (D) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A),  
6 (B), AND (C) FROM THE DAY IMMEDIATELY FOLLOWING THE DATE DESCRIBED  
7 IN SUBDIVISION (A) TO THE DATE OF THE TRANSFER, BASED UPON 8%  
8 EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

9 (3) FOR A DEFERRED MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP  
10 IN TIER 1 UNDER SECTION 110(3), THE RETIREMENT SYSTEM SHALL DIRECT  
11 THE STATE TREASURER TO TRANSFER A LUMP SUM AMOUNT FROM THE  
12 APPROPRIATE RESERVE CREATED UNDER ARTICLE 2 TO THE QUALIFIED  
13 PARTICIPANT'S ACCOUNT IN TIER 2 ON OR BEFORE THE EXPIRATION OF 60  
14 DAYS AFTER THE DATE OF THE INDIVIDUAL'S ELECTION TO TERMINATE  
15 MEMBERSHIP. THE RETIREMENT SYSTEM SHALL CALCULATE THE AMOUNT TO BE  
16 TRANSFERRED, WHICH SHALL BE EQUAL TO THE SUM OF THE FOLLOWING:

17 (A) THE DEFERRED MEMBER'S ACCUMULATED CONTRIBUTIONS, IF ANY,  
18 FROM THE RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12 MIDNIGHT ON  
19 THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE  
20 ELECTION.

21 (B) FOR A DEFERRED MEMBER WHO IS A PARTICIPANT IN THE MEMBER  
22 INVESTMENT PLAN, THE DEFERRED MEMBER'S ACCUMULATED CONTRIBUTIONS,  
23 IF ANY, FROM THE RESERVE FOR MEMBER INVESTMENT PLAN AS OF 12  
24 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE  
25 DATE OF THE ELECTION.

26 (C) THE EXCESS, IF ANY, OF THE ACTUARIAL PRESENT VALUE OF THE  
27 DEFERRED MEMBER'S ACCUMULATED BENEFIT OBLIGATION, OVER THE AMOUNT

1 SPECIFIED IN SUBDIVISIONS (A) AND (B), FROM THE RESERVE FOR  
2 EMPLOYER CONTRIBUTIONS. EXCEPT AS PROVIDED IN SUBSECTION (5), FOR  
3 THE PURPOSES OF THIS SUBSECTION, THE PRESENT VALUE OF THE DEFERRED  
4 MEMBER'S ACCUMULATED BENEFIT OBLIGATION IS BASED UPON THE DEFERRED  
5 MEMBER'S ACTUAL CREDITED SERVICE AND ACTUAL FINAL AVERAGE  
6 COMPENSATION AS OF 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL  
7 PERIOD THAT INCLUDES THE DATE OF THE ELECTION. THE ACTUARIAL  
8 PRESENT VALUE SHALL BE COMPUTED AS OF 12 MIDNIGHT ON THAT DATE AND  
9 SHALL BE BASED ON THE FOLLOWING:

10 (i) EIGHT PERCENT EFFECTIVE ANNUAL INTEREST, COMPOUNDED  
11 ANNUALLY.

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

15 (iii) A BENEFIT COMMENCEMENT AGE, BASED UPON THE MEMBER'S  
16 ESTIMATED CREDITED SERVICE AS OF 12 MIDNIGHT ON THE LAST DAY OF THE  
17 PAYROLL PERIOD THAT INCLUDES THE DATE OF THE ELECTION. THE BENEFIT  
18 COMMENCEMENT AGE SHALL BE THE YOUNGER OF THE FOLLOWING, BUT SHALL  
19 NOT BE YOUNGER THAN THE MEMBER'S AGE AS OF 12 MIDNIGHT ON THE LAST  
20 DAY OF THE PAYROLL PERIOD THAT INCLUDES THE DATE OF THE ELECTION:

21 (A) AGE 60.

22 (B) AGE 55, IF THE DEFERRED MEMBER'S ESTIMATED CREDITED  
23 SERVICE EQUALS OR EXCEEDS 30 YEARS.

24 (C) THE AGE OF THE DEFERRED MEMBER IF THE DEFERRED MEMBER'S  
25 CREDITED SERVICE EQUALS OR EXCEEDS 30 YEARS AND THE DEFERRED MEMBER  
26 IS A PARTICIPANT OF THE MEMBER INVESTMENT PLAN.

27 (D) INTEREST ON ANY AMOUNTS DETERMINED IN SUBDIVISIONS (A),

1 (B), AND (C) FROM THE FIRST DAY OF THE PAYROLL PERIOD IMMEDIATELY  
2 FOLLOWING THE DATE OF THE ELECTION TO THE DATE OF THE TRANSFER,  
3 BASED UPON 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

4 (4) FOR THE PURPOSES OF SUBSECTIONS (1) TO (3) AND SUBSECTION  
5 (6), THE CALCULATION OF ACTUAL PRESENT VALUE OF THE MEMBER'S OR  
6 DEFERRED MEMBER'S ACCUMULATED BENEFIT OBLIGATION SHALL BE BASED  
7 UPON METHODS ADOPTED BY THE DEPARTMENT AND THE RETIREMENT SYSTEM'S  
8 ACTUARY IN CONSULTATION WITH THE RETIREMENT BOARD. ACTUAL FINAL  
9 AVERAGE COMPENSATION SHALL BE DETERMINED AS PROVIDED IN SECTIONS 3A  
10 AND 4(11) AS OF 12 MIDNIGHT ON THE DATE THE MEMBER OR DEFERRED  
11 MEMBER CEASES TO BE A MEMBER OF TIER 1 UNDER SECTION 110.

12 (5) FOR A FORMER NONVESTED MEMBER WHO ELECTS TO TERMINATE  
13 MEMBERSHIP IN TIER 1 UNDER SECTION 110(3) AND WHO HAS ACCUMULATED  
14 CONTRIBUTIONS STANDING TO HIS OR HER CREDIT IN THE RESERVE FOR  
15 EMPLOYEE CONTRIBUTIONS OR THE RESERVE FOR MEMBER INVESTMENT PLAN,  
16 THE RETIREMENT SYSTEM SHALL DIRECT THE STATE TREASURER TO TRANSFER  
17 A LUMP SUM AMOUNT FROM THE APPROPRIATE RESERVE CREATED UNDER  
18 ARTICLE 2 TO THE QUALIFIED PARTICIPANT'S ACCOUNT IN TIER 2 ON OR  
19 BEFORE THE EXPIRATION OF 60 DAYS AFTER THE DATE OF THE INDIVIDUAL'S  
20 ELECTION TO TERMINATE MEMBERSHIP. THE RETIREMENT SYSTEM SHALL  
21 CALCULATE THE AMOUNT TO BE TRANSFERRED, WHICH SHALL BE EQUAL TO THE  
22 SUM OF THE FOLLOWING:

23 (A) THE FORMER NONVESTED MEMBER'S ACCUMULATED CONTRIBUTIONS,  
24 IF ANY, FROM THE RESERVE FOR EMPLOYEE CONTRIBUTIONS AS OF 12  
25 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT INCLUDES THE  
26 DATE OF THE ELECTION.

27 (B) FOR A FORMER NONVESTED MEMBER WHO IS A PARTICIPANT IN THE

1 MEMBER INVESTMENT PLAN, THE FORMER NONVESTED MEMBER'S ACCUMULATED  
2 CONTRIBUTIONS, IF ANY, FROM THE RESERVE FOR MEMBER INVESTMENT PLAN  
3 AS OF 12 MIDNIGHT ON THE LAST DAY OF THE PAYROLL PERIOD THAT  
4 INCLUDES THE DATE OF THE ELECTION.

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

9 (6) FOR EACH MEMBER WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER  
10 1 UNDER SECTION 110, THE RETIREMENT SYSTEM SHALL DO ALL OF THE  
11 FOLLOWING:

12 (A) DIRECT THE STATE TREASURER TO TRANSFER FROM THE RESERVE  
13 FOR EMPLOYER CONTRIBUTIONS TO THE QUALIFIED PARTICIPANT'S ACCOUNT  
14 IN TIER 2 THE EXCESS OF ANY RECOMPUTED AMOUNT OVER THE PREVIOUSLY  
15 TRANSFERRED AMOUNT TOGETHER WITH INTEREST FROM 12 MIDNIGHT JUNE 30,  
16 2010 TO THE DATE OF THE TRANSFER UNDER THIS SUBSECTION, BASED UPON  
17 8% EFFECTIVE ANNUAL INTEREST, COMPOUNDED ANNUALLY.

18 (B) DIRECT THE STATE TREASURER TO TRANSFER FROM THE QUALIFIED  
19 PARTICIPANT'S ACCOUNT IN TIER 2 TO THE RESERVE FOR EMPLOYER  
20 CONTRIBUTIONS THE EXCESS OF ANY PREVIOUSLY TRANSFERRED AMOUNT OVER  
21 THE RECOMPUTED AMOUNT, TOGETHER WITH INTEREST, FROM THE DATE OF THE  
22 TRANSFER MADE UNDER SUBSECTION (1), BASED UPON 8% EFFECTIVE ANNUAL  
23 INTEREST, COMPOUNDED ANNUALLY.

24 (7) IF THE DEPARTMENT RECEIVES NOTIFICATION FROM THE UNITED  
25 STATES INTERNAL REVENUE SERVICE THAT THIS SECTION OR ANY PORTION OF  
26 THIS SECTION WILL CAUSE THE RETIREMENT SYSTEM TO BE DISQUALIFIED  
27 FOR TAX PURPOSES UNDER THE INTERNAL REVENUE CODE, THEN THE PORTION



1 THAT WILL CAUSE THE DISQUALIFICATION DOES NOT APPLY.

2 SEC. 112. AFTER CONSULTING THE RETIREMENT SYSTEM'S ACTUARY,  
3 THE DEPARTMENT SHALL CALCULATE FOR EACH FISCAL YEAR ANY COST  
4 SAVINGS THAT HAVE ACCRUED AS A RESULT OF THE IMPLEMENTATION OF THE  
5 AMENDATORY ACT THAT ADDED THIS SECTION OVER THE COSTS THAT WOULD  
6 HAVE BEEN INCURRED HAD THE AMENDATORY ACT THAT ADDED THIS SECTION  
7 NOT BEEN IMPLEMENTED.

8 ARTICLE 7

9 SEC. 121. FOR THE PURPOSES OF THIS ARTICLE, THE WORDS AND  
10 PHRASES DEFINED IN SECTIONS 122 TO 124 HAVE THE MEANINGS ASCRIBED  
11 TO THEM IN THOSE SECTIONS.

12 SEC. 122. (1) "ACCUMULATED BALANCE" MEANS THE TOTAL BALANCE IN  
13 A QUALIFIED PARTICIPANT'S, FORMER QUALIFIED PARTICIPANT'S, OR  
14 REFUND BENEFICIARY'S INDIVIDUAL ACCOUNT IN TIER 2.

15 (2) "COMPENSATION" MEANS THE REMUNERATION PAID A QUALIFIED  
16 PARTICIPANT ON ACCOUNT OF THE QUALIFIED PARTICIPANT'S SERVICES  
17 EQUAL TO THE SUM OF THE FOLLOWING:

18 (A) A PARTICIPANT'S W-2 EARNINGS FOR SERVICES PERFORMED FOR  
19 THE EMPLOYER.

20 (B) ANY AMOUNT CONTRIBUTED OR DEFERRED AT THE ELECTION OF THE  
21 PARTICIPANT WHICH IS EXCLUDED FROM GROSS INCOME UNDER SECTION 125,  
22 132(F)(4), 401(K), 403(B), OR 457 OF THE INTERNAL REVENUE CODE, 26  
23 USC 125, 132, 401, 403, AND 457.

24 (3) "DEPARTMENT" MEANS THE DEPARTMENT OF MANAGEMENT AND  
25 BUDGET.

26 (4) "DIRECTOR" MEANS THE DIRECTOR OF THE DEPARTMENT OF  
27 MANAGEMENT AND BUDGET OR HIS OR HER DESIGNEE.

1 SEC. 123. (1) "EMPLOYER" MEANS A REPORTING UNIT.

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

5 (3) "HEALTH BENEFIT DEPENDENT" MEANS AN INDIVIDUAL WHO WOULD  
6 HAVE BEEN ELIGIBLE FOR HEALTH INSURANCE COVERAGE AS A HEALTH  
7 INSURANCE DEPENDENT UNDER SECTION 91(15) (A) IF THE FORMER QUALIFIED  
8 PARTICIPANT HAD BECOME A RETIRANT OF TIER 1.

9 SEC. 124. (1) "QUALIFIED PARTICIPANT" MEANS AN INDIVIDUAL WHO  
10 IS A PARTICIPANT OF TIER 2 AND WHO MEETS 1 OF THE FOLLOWING  
11 REQUIREMENTS:

12 (A) AN INDIVIDUAL WHO IS FIRST EMPLOYED AND ENTERED UPON THE  
13 PAYROLL OF A REPORTING UNIT ON OR AFTER THE IMPLEMENTATION DATE.

14 (B) AN INDIVIDUAL WHO ELECTS TO TERMINATE MEMBERSHIP IN TIER 1  
15 AND WHO ELECTS TO PARTICIPATE IN TIER 2 IN THE MANNER PRESCRIBED IN  
16 SECTION 110.

17 (2) "REFUND BENEFICIARY" MEANS AN INDIVIDUAL NOMINATED BY A  
18 QUALIFIED PARTICIPANT OR A FORMER QUALIFIED PARTICIPANT UNDER  
19 SECTION 134 TO RECEIVE A DISTRIBUTION OF THE PARTICIPANT'S  
20 ACCUMULATED BALANCE IN THE MANNER PRESCRIBED IN SECTION 135.

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

22 SEC. 124A. (1) THE DEPARTMENT SHALL DESIGNATE 3 OR MORE TIER 2  
23 CONTRACTS OR ACCOUNT PLANS PROVIDED BY AT LEAST 3 DIFFERENT  
24 ENTITIES, TO BE OFFERED TO PARTICIPANTS IN THE TIER 2 PLAN. NO TIER  
25 2 PLAN OPTION SHALL BE DESIGNATED UNDER THIS SECTION UNLESS THE  
26 ENTITY PROVIDES ALL OF THE FOLLOWING REQUIREMENTS:

27 (A) IT IS AUTHORIZED TO CONDUCT BUSINESS IN THIS STATE WITH

1 REGARD TO ANY ANNUITY CONTRACTS OR CERTIFICATES TO BE OFFERED UNDER  
2 THE PLAN.

3 (B) IT PROVIDES A DEFINED CONTRIBUTION PENSION PLAN AND  
4 ASSOCIATED PLAN SERVICES TO PUBLIC SECTOR EMPLOYEES IN AT LEAST 10  
5 OTHER STATES.

6 (C) IT PROVIDES A TIER 2 OPTION THAT IS AN ANNUITY CONTRACT OR  
7 CUSTODIAL ACCOUNT THAT IS NOT REQUIRED TO BE HELD BY A SEPARATE  
8 PLAN TRUSTEE.

9 (2) IN DESIGNATING TIER 2 PLANS UNDER THIS SECTION, THE  
10 DEPARTMENT SHALL CONSIDER ALL OF THE FOLLOWING:

11 (A) THE EXPERIENCE OF THE ENTITY IN PROVIDING THE PLAN IN  
12 OTHER STATES.

13 (B) THE POTENTIAL EFFECTIVENESS OF THE PLAN IN THE  
14 RECRUITMENT AND RETENTION OF ACADEMIC OR ADMINISTRATIVE EMPLOYEES.

15 (C) THE NATURE AND EXTENT OF THE RIGHTS AND BENEFITS TO BE  
16 PROVIDED UNDER THE PLAN.

17 (D) THE RELATIONSHIP BETWEEN THE RIGHTS AND BENEFITS UNDER THE  
18 PLAN AND THE AMOUNT OF THE CONTRIBUTIONS MADE UNDER THAT PLAN.

19 (E) THE SUITABILITY OF THE RIGHTS AND BENEFITS UNDER THE PLAN  
20 TO THE NEEDS AND INTERESTS OF ACADEMIC OR ADMINISTRATIVE EMPLOYEES.

21 (F) THE CAPABILITY OF THE ENTITY OFFERING THE PLAN TO PROVIDE  
22 THE RIGHTS AND BENEFITS UNDER THE PLAN, AND TO MONITOR COMPLIANCE  
23 UNDER THE CONTRACT OR ACCOUNT WITH APPLICABLE FEDERAL TAX  
24 REQUIREMENTS INCORPORATED INTO THE CONTRACT OR ACCOUNT.

25 (G) ANY OTHER SUPPLEMENTAL MATTERS IT CONSIDERS RELEVANT.

26 (3) THE DEPARTMENT SHALL CONSULT WITH THE STATE TREASURER IN  
27 DETERMINING APPROPRIATE INVESTMENT VEHICLES OFFERED WITHIN THE

1 DESIGNATED TIER 2 OPTION PLANS. THE DEPARTMENT IN CONSULTATION WITH  
2 THE STATE TREASURER SHALL PERIODICALLY REVIEW EACH TIER 2 PLAN  
3 DESIGNATED UNDER THIS SECTION AND THE ENTITY OFFERING THE PLAN TO  
4 ENSURE THAT THE REQUIREMENTS AND PURPOSES OF THIS ARTICLE ARE BEING  
5 MET. IF THE DEPARTMENT FINDS THAT THE ENTITY OFFERING A TIER 2 PLAN  
6 IS NOT IN COMPLIANCE WITH ANY REQUIREMENT OF THIS SECTION OR THE  
7 PLAN IS NOT SATISFACTORILY MEETING THE PURPOSES OF THIS ARTICLE, IT  
8 MAY RESCIND ITS DESIGNATION OF THE PLAN.

9 (4) THE DEPARTMENT SHALL DETERMINE THE PROVISIONS AND  
10 PROCEDURES OF TIER 2 IN CONFORMITY WITH THIS ARTICLE AND THE  
11 REQUIREMENTS OF THE INTERNAL REVENUE CODE.

12 (5) THE DIRECTOR SHALL USE A COMPETITIVE BIDDING PROCESS TO  
13 SELECT ANY MANAGERIAL, PROFESSIONAL, OR ADMINISTRATIVE SERVICES FOR  
14 THE PROPER ADMINISTRATION AND INVESTMENT OF ASSETS OF TIER 2. THE  
15 COMPETITIVE BIDDING PROCESS SHALL INCLUDE A REQUIREMENT THAT ANY  
16 SERVICE PROVIDER SELECTED UNDER THIS SUBSECTION WILL BE REQUIRED TO  
17 PAY FOR THE COST OF ANY NOTIFICATION OF MEMBERS ENTITLED TO MAKE AN  
18 ELECTION UNDER SECTION 110.

19 SEC. 126. (1) A QUALIFIED PARTICIPANT, FORMER QUALIFIED  
20 PARTICIPANT, HEALTH BENEFIT DEPENDENT, OR REFUND BENEFICIARY MAY  
21 REQUEST A HEARING ON A CLAIM INVOLVING HIS OR HER RIGHTS UNDER TIER  
22 2. UPON WRITTEN REQUEST, THE DEPARTMENT SHALL PROVIDE FOR A HEARING  
23 THAT SHALL BE CONDUCTED PURSUANT TO CHAPTER 4 OF THE ADMINISTRATIVE  
24 PROCEDURES ACT OF 1969, 1969 PA 306, MCL 24.271 TO 24.287. AN  
25 INDIVIDUAL MAY BE REPRESENTED BY COUNSEL OR OTHER AUTHORIZED AGENT  
26 AT A HEARING CONDUCTED UNDER THIS SECTION.

27 (2) CHAPTERS 2, 3, AND 5 OF THE ADMINISTRATIVE PROCEDURES ACT

1 OF 1969, 1969 PA 306, MCL 24.224 TO 24.264 AND 24.291 TO 24.292, DO  
2 NOT APPLY TO THE ESTABLISHMENT, IMPLEMENTATION, ADMINISTRATION,  
3 OPERATION, INVESTMENT, OR DISTRIBUTION OF TIER 2.

4 SEC. 127. EACH QUALIFIED PARTICIPANT, FORMER QUALIFIED  
5 PARTICIPANT, AND REFUND BENEFICIARY SHALL DIRECT THE INVESTMENT OF  
6 THE INDIVIDUAL'S ACCUMULATED EMPLOYER AND EMPLOYEE CONTRIBUTIONS  
7 AND EARNINGS TO 1 OR MORE INVESTMENT CHOICES WITHIN AVAILABLE  
8 CATEGORIES OF INVESTMENT PROVIDED BY THE STATE TREASURER. THE  
9 LIMITATIONS ON THE PERCENTAGE OF TOTAL ASSETS FOR INVESTMENTS  
10 PROVIDED IN THE PUBLIC EMPLOYEE RETIREMENT SYSTEM INVESTMENT ACT,  
11 1965 PA 314, MCL 38.1132 TO 38.1140M, DO NOT APPLY TO TIER 2.

12 SEC. 128. THE ADMINISTRATIVE EXPENSES OF TIER 2 SHALL BE PAID  
13 BY THE QUALIFIED PARTICIPANTS, FORMER QUALIFIED PARTICIPANTS, AND  
14 REFUND BENEFICIARIES WHO HAVE NOT CLOSED THEIR ACCOUNTS IN A MANNER  
15 DETERMINED BY THE DEPARTMENT.

16 SEC. 129. A QUALIFIED PARTICIPANT SHALL NOT PARTICIPATE IN ANY  
17 OTHER PUBLIC SECTOR RETIREMENT BENEFITS PLAN FOR SIMULTANEOUS  
18 SERVICE RENDERED TO THE SAME PUBLIC SECTOR EMPLOYER. EXCEPT AS  
19 OTHERWISE PROVIDED IN THIS ACT OR BY THE DEPARTMENT, THIS SECTION  
20 DOES NOT PROHIBIT A QUALIFIED PARTICIPANT FROM PARTICIPATING IN A  
21 RETIREMENT PLAN ESTABLISHED BY A PUBLIC SECTOR EMPLOYER UNDER THE  
22 INTERNAL REVENUE CODE. FOR THE PURPOSES OF THIS SECTION, PUBLIC  
23 SECTOR EMPLOYER INCLUDES, BUT IS NOT LIMITED TO, A REPORTING UNIT.

24 SEC. 130. (1) THE DEPARTMENT SHALL PROMPTLY CREDIT THE TIER 2  
25 ACCOUNT OF A QUALIFIED PARTICIPANT OR FORMER QUALIFIED PARTICIPANT  
26 WHO MAKES AN ELECTION UNDER SECTION 110 TO TERMINATE MEMBERSHIP IN  
27 TIER 1 WITH ANY AMOUNT TRANSFERRED FROM TIER 1 PURSUANT TO SECTION

1 111.

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

8 SEC. 131. (1) THIS SECTION IS SUBJECT TO THE VESTING  
9 REQUIREMENTS OF SECTION 132.

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

13 (3) A QUALIFIED PARTICIPANT MAY PERIODICALLY ELECT TO  
14 CONTRIBUTE UP TO 3% OF HIS OR HER COMPENSATION 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  
18 QUALIFIED PARTICIPANT UNDER THIS SUBSECTION.

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

25 SEC. 132. (1) A QUALIFIED PARTICIPANT IS IMMEDIATELY 100%  
26 VESTED IN HIS OR HER CONTRIBUTIONS MADE TO TIER 2. A QUALIFIED  
27 PARTICIPANT SHALL VEST IN THE EMPLOYER CONTRIBUTIONS MADE ON HIS OR

1 HER BEHALF TO TIER 2 ACCORDING TO THE FOLLOWING SCHEDULE:

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

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

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

5 (2) A QUALIFIED PARTICIPANT IS VESTED IN THE HEALTH INSURANCE  
6 COVERAGE PROVIDED IN SECTION 136 IF THE QUALIFIED PARTICIPANT MEETS  
7 1 OF THE FOLLOWING REQUIREMENTS:

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

11 (B) THE QUALIFIED PARTICIPANT WAS A MEMBER, DEFERRED MEMBER,  
12 OR FORMER NONVESTED MEMBER OF TIER 1 WHO MADE AN ELECTION TO  
13 PARTICIPATE IN TIER 2 PURSUANT TO SECTION 110, AND WHO HAS MET THE  
14 SERVICE REQUIREMENTS HE OR SHE WOULD HAVE BEEN REQUIRED TO MEET IN  
15 ORDER TO VEST IN HEALTH BENEFITS UNDER SECTION 91.

16 SEC. 133. A QUALIFIED PARTICIPANT WHO WAS A MEMBER, DEFERRED  
17 MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1 WHO MAKES AN ELECTION  
18 TO PARTICIPATE IN TIER 2 PURSUANT TO SECTION 110, SHALL BE CREDITED  
19 WITH THE YEARS OF SERVICE ACCRUED UNDER TIER 1 ON THE EFFECTIVE  
20 DATE OF PARTICIPATION IN TIER 2 FOR THE PURPOSE OF MEETING THE  
21 VESTING REQUIREMENTS FOR BENEFITS UNDER SECTION 132.

22 SEC. 134. A QUALIFIED PARTICIPANT OR FORMER QUALIFIED  
23 PARTICIPANT MAY NOMINATE 1 OR MORE INDIVIDUALS AS A REFUND  
24 BENEFICIARY BY FILING WRITTEN NOTICE OF NOMINATION WITH THE  
25 DEPARTMENT. IF THE QUALIFIED PARTICIPANT OR FORMER QUALIFIED  
26 PARTICIPANT IS MARRIED AT THE TIME OF THE NOMINATION AND THE  
27 PARTICIPANT'S SPOUSE IS NOT THE REFUND BENEFICIARY FOR 100% OF THE

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

5 SEC. 135. (1) A QUALIFIED PARTICIPANT IS ELIGIBLE TO RECEIVE  
6 DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE IN TIER 2 UPON  
7 BECOMING A FORMER QUALIFIED PARTICIPANT.

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

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

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

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

23 (C) PERIODIC DISTRIBUTIONS, AS AUTHORIZED BY THE DEPARTMENT.

24 (D) NO CURRENT DISTRIBUTION, IN WHICH CASE THE ACCUMULATED  
25 BALANCE SHALL REMAIN IN TIER 2 UNTIL THE FORMER QUALIFIED  
26 PARTICIPANT OR REFUND BENEFICIARY ELECTS A METHOD OR METHODS OF  
27 DISTRIBUTION UNDER SUBDIVISIONS (A) TO (C), TO THE EXTENT ALLOWED



1 BY FEDERAL LAW.

2 SEC. 135A. (1) A QUALIFIED PARTICIPANT WHOM THE RETIREMENT  
3 BOARD FINDS TO HAVE BECOME TOTALLY AND PERMANENTLY DISABLED FROM  
4 ANY GAINFUL EMPLOYMENT BY REASON OF PERSONAL INJURY OR MENTAL OR  
5 PHYSICAL ILLNESS WHILE SERVING AS AN EMPLOYEE OF THAT REPORTING  
6 UNIT SHALL BE GRANTED A SUPPLEMENTAL BENEFIT EQUIVALENT TO THE  
7 AMOUNT PROVIDED FOR IN SECTION 84 AS IF THE FORMER QUALIFIED  
8 PARTICIPANT HAD RETIRED UNDER SECTION 87, WHICH SUPPLEMENTAL  
9 BENEFIT SHALL BE OFFSET BY THE VALUE OF THE DISTRIBUTION OF HIS OR  
10 HER ACCUMULATED BALANCE UPON BECOMING A FORMER QUALIFIED  
11 PARTICIPANT PURSUANT TO SECTION 135.

12 (2) IF A QUALIFIED PARTICIPANT DIES AS A RESULT OF INJURY OR  
13 ILLNESS ARISING OUT OF AND IN THE COURSE OF THE QUALIFIED  
14 PARTICIPANT'S REPORTING UNIT SERVICE FOR WHICH WORKER'S DISABILITY  
15 COMPENSATION IS PAID, OR A DUTY DISABILITY RETIRANT WHO IS IN  
16 RECEIPT OF WEEKLY WORKER'S DISABILITY COMPENSATION ON ACCOUNT OF  
17 THE RETIRANT'S REPORTING UNIT SERVICE DIES FROM THE SAME CAUSES FOR  
18 WHICH THE FORMER QUALIFIED PARTICIPANT RETIRED WITHIN 36 MONTHS  
19 AFTER THE FORMER QUALIFIED PARTICIPANT'S RETIREMENT, AND IN EITHER  
20 CASE THE DEATH OR THE ILLNESS OR INJURY RESULTING IN DEATH IS FOUND  
21 BY THE RETIREMENT BOARD TO HAVE RESULTED, WITHOUT THE QUALIFIED  
22 PARTICIPANT'S OR FORMER QUALIFIED PARTICIPANT'S WILLFUL NEGLIGENCE,  
23 FROM THE PERFORMANCE OF THE QUALIFIED PARTICIPANT'S OR FORMER  
24 QUALIFIED PARTICIPANT'S REPORTING UNIT SERVICE, A SUPPLEMENTAL  
25 BENEFIT SHALL BE GRANTED EQUIVALENT TO THE AMOUNT PROVIDED FOR IN  
26 SECTION 84 HAD THE FORMER QUALIFIED PARTICIPANT BEEN CONSIDERED  
27 RETIRED UNDER SECTION 90, WHICH SUPPLEMENTAL BENEFIT SHALL BE

1 OFFSET BY THE VALUE OF THE DISTRIBUTION OF HIS OR HER ACCUMULATED  
2 BALANCE UPON BECOMING A FORMER QUALIFIED PARTICIPANT PURSUANT TO  
3 SECTION 135.

4 (3) A QUALIFIED PARTICIPANT WHO HAS AT LEAST 10 YEARS OF  
5 CREDITED SERVICE WHOM THE RETIREMENT BOARD FINDS TO HAVE BECOME  
6 TOTALLY AND PERMANENTLY DISABLED FOR PURPOSES OF EMPLOYMENT BY HIS  
7 OR HER REPORTING UNIT BY REASON OF PERSONAL INJURY OR MENTAL OR  
8 PHYSICAL ILLNESS BEFORE TERMINATION OF REPORTING UNIT SERVICE AND  
9 EMPLOYMENT SHALL BE GRANTED A SUPPLEMENTAL BENEFIT EQUIVALENT TO  
10 THE AMOUNT PROVIDED FOR IN SECTION 84 AS IF THE FORMER QUALIFIED  
11 PARTICIPANT HAD RETIRED UNDER SECTION 86, WHICH SUPPLEMENTAL  
12 BENEFIT SHALL BE OFFSET BY THE VALUE OF THE DISTRIBUTION OF HIS OR  
13 HER ACCUMULATED BALANCE UPON BECOMING A FORMER QUALIFIED  
14 PARTICIPANT PURSUANT TO SECTION 135.

15 (4) IF A QUALIFIED PARTICIPANT WHO MEETS THE SERVICE  
16 REQUIREMENTS OF SECTION 89 DIES AS A RESULT OF INJURY OR ILLNESS  
17 THAT DOES NOT ARISE OUT OF AND IN THE COURSE OF THE QUALIFIED  
18 PARTICIPANT'S REPORTING UNIT SERVICE, A SUPPLEMENTAL BENEFIT SHALL  
19 BE GRANTED EQUIVALENT TO THE AMOUNT PROVIDED FOR IN SECTION 89 HAD  
20 THE FORMER QUALIFIED PARTICIPANT BEEN CONSIDERED RETIRED UNDER  
21 SECTION 89, WHICH SUPPLEMENTAL BENEFIT SHALL BE OFFSET BY THE VALUE  
22 OF THE DISTRIBUTION OF HIS OR HER ACCUMULATED BALANCE UPON BECOMING  
23 A FORMER QUALIFIED PARTICIPANT PURSUANT TO SECTION 135.

24 (5) A QUALIFIED PARTICIPANT, FORMER QUALIFIED PARTICIPANT, OR  
25 BENEFICIARY OF A DECEASED PARTICIPANT, WHICH PARTICIPANT IS  
26 ELIGIBLE FOR A DISABILITY RETIREMENT ALLOWANCE UNDER THIS SECTION,  
27 IS ELIGIBLE FOR HEALTH INSURANCE COVERAGE UNDER SECTION 91 IN ALL

1 RESPECTS AND UNDER THE SAME TERMS AS A RETIRANT AND HIS OR HER  
2 BENEFICIARIES UNDER TIER 1.

3 SEC. 136. (1) A FORMER QUALIFIED PARTICIPANT MAY ELECT HEALTH  
4 INSURANCE BENEFITS IN THE MANNER PRESCRIBED IN THIS SECTION IF HE  
5 OR SHE MEETS BOTH OF THE FOLLOWING REQUIREMENTS:

6 (A) THE FORMER QUALIFIED PARTICIPANT IS VESTED IN HEALTH  
7 BENEFITS UNDER SECTION 132(2).

8 (B) THE FORMER QUALIFIED PARTICIPANT IS AT LEAST 60 YEARS OF  
9 AGE OR HAS AT LEAST 30 YEARS OF CREDITED SERVICE.

10 (2) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT  
11 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH  
12 INSURANCE COVERAGE IN A HEALTH BENEFIT PLAN OR PLANS AS AUTHORIZED  
13 BY SECTION 91 OR IN ANOTHER PLAN AS PROVIDED IN SUBSECTION (6). A  
14 FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT HEALTH  
15 INSURANCE COVERAGE UNDER SUBSECTION (1) MAY ALSO ELECT HEALTH  
16 INSURANCE COVERAGE FOR HIS OR HER HEALTH BENEFIT DEPENDENTS, IF  
17 ANY. A SURVIVING HEALTH BENEFIT DEPENDENT OF A DECEASED FORMER  
18 QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT HEALTH INSURANCE  
19 COVERAGE UNDER SUBSECTION (1) MAY ELECT HEALTH INSURANCE COVERAGE  
20 IN THE MANNER PRESCRIBED IN THIS SECTION.

21 (3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (6), AN  
22 INDIVIDUAL WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS SECTION  
23 SHALL BECOME A MEMBER OF A HEALTH INSURANCE COVERAGE GROUP  
24 AUTHORIZED UNDER SECTION 91.

25 (4) FOR A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO  
26 ELECT HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS  
27 VESTED IN THOSE BENEFITS UNDER SECTION 132(2)(A), AND FOR HIS OR

1 HER HEALTH BENEFIT DEPENDENTS, THE RETIREMENT SYSTEM SHALL PAY A  
2 PORTION OF THE HEALTH INSURANCE PREMIUM AS CALCULATED UNDER THIS  
3 SUBSECTION ON A CASH DISBURSEMENT METHOD. AN INDIVIDUAL DESCRIBED  
4 IN THIS SUBSECTION WHO ELECTS HEALTH INSURANCE COVERAGE UNDER THIS  
5 SECTION SHALL PAY TO THE RETIREMENT SYSTEM THE REMAINING PORTION OF  
6 THE HEALTH INSURANCE COVERAGE PREMIUM NOT PAID BY THE RETIREMENT  
7 SYSTEM UNDER THIS SUBSECTION. THE PORTION OF THE HEALTH INSURANCE  
8 COVERAGE PREMIUM PAID BY THE RETIREMENT SYSTEM UNDER THIS  
9 SUBSECTION SHALL BE AS FOLLOWS: IF AN INDIVIDUAL DESCRIBED IN THIS  
10 SUBSECTION HAS 10 OR MORE BUT LESS THAN 25 YEARS OF SERVICE CREDIT  
11 UNDER THIS ACT AND THE INDIVIDUAL WAS AT LEAST 60 YEARS OF AGE AT  
12 THE TIME OF APPLICATION FOR BENEFITS UNDER THIS SECTION, THE  
13 RETIREMENT SYSTEM SHALL PAY A PORTION OF THE MONTHLY PREMIUM OR  
14 MEMBERSHIP OR SUBSCRIPTION FEE FOR THE PLANS OR COMBINATION OF  
15 PLANS EQUAL TO THE PRODUCT OF 3% AND THE INDIVIDUAL'S OR DECEASED  
16 INDIVIDUAL'S YEARS OF SERVICE FOR THE FIRST 10 YEARS AND 4% FOR  
17 EACH YEAR AFTER THE FIRST 10 YEARS. THIS SUBSECTION DOES NOT APPLY  
18 TO AN INDIVIDUAL DESCRIBED IN THIS SUBSECTION WHO RECEIVES A  
19 DISABILITY RETIREMENT ALLOWANCE UNDER SECTION 135A OR TO A HEALTH  
20 BENEFIT DEPENDENT BENEFICIARY UNDER SECTION 135A.

21 (5) A FORMER QUALIFIED PARTICIPANT WHO IS ELIGIBLE TO ELECT  
22 HEALTH INSURANCE COVERAGE UNDER SUBSECTION (1) AND WHO IS VESTED IN  
23 THOSE BENEFITS UNDER SECTION 132(2)(B) MAY ELECT HEALTH INSURANCE  
24 COVERAGE UNDER SECTION 91 FOR HIMSELF OR HERSELF AND FOR HIS OR HER  
25 HEALTH BENEFIT DEPENDENTS, IN ALL RESPECTS AND UNDER THE SAME TERMS  
26 AS WOULD A RETIRANT AND HIS OR HER HEALTH INSURANCE DEPENDENTS  
27 UNDER TIER 1.

1           (6) A FORMER QUALIFIED PARTICIPANT OR HEALTH BENEFIT DEPENDENT  
2 WHO IS ELIGIBLE TO ELECT HEALTH INSURANCE COVERAGE UNDER THIS  
3 SECTION AND WHO ELECTS HEALTH INSURANCE COVERAGE UNDER A DIFFERENT  
4 PLAN THAN THE PLAN AUTHORIZED UNDER SECTION 91 MAY ELECT TO HAVE AN  
5 AMOUNT UP TO THE AMOUNT OF THE RETIREMENT SYSTEM'S SHARE OF THE  
6 MONTHLY HEALTH INSURANCE PREMIUM SUBSIDY PROVIDED IN THIS SECTION  
7 PAID BY THE RETIREMENT SYSTEM DIRECTLY TO THE OTHER HEALTH  
8 INSURANCE PLAN OR TO A MEDICAL SAVINGS ACCOUNT ESTABLISHED PURSUANT  
9 TO SECTION 220 OF THE INTERNAL REVENUE CODE, TO THE EXTENT ALLOWED  
10 BY LAW OR UNDER THE PROVISIONS AND PROCEDURES OF TIER 2.

11           (7) IF THE DEPARTMENT RECEIVES NOTIFICATION FROM THE UNITED  
12 STATES INTERNAL REVENUE SERVICE THAT THIS SECTION OR ANY PORTION OF  
13 THIS SECTION WILL CAUSE THE RETIREMENT SYSTEM TO BE DISQUALIFIED  
14 FOR TAX PURPOSES UNDER THE INTERNAL REVENUE CODE, THEN THE PORTION  
15 THAT WILL CAUSE THE DISQUALIFICATION DOES NOT APPLY.

16           SEC. 137. (1) THE RIGHT OF A QUALIFIED PARTICIPANT OR A FORMER  
17 QUALIFIED PARTICIPANT, OR HIS OR HER BENEFICIARIES, TO A  
18 DISTRIBUTION DESCRIBED IN SUBSECTION (1) IS SUBJECT TO FORFEITURE  
19 PURSUANT TO THE PUBLIC EMPLOYEE RETIREMENT BENEFITS FORFEITURE ACT,  
20 1994 PA 350, MCL 38.2701 TO 38.2705.

21           (2) THE DIRECTOR HAS THE RIGHT OF SETOFF TO RECOVER  
22 OVERPAYMENTS MADE UNDER THIS ARTICLE AND TO SATISFY ANY CLAIMS  
23 ARISING FROM EMBEZZLEMENT OR FRAUD COMMITTED BY A QUALIFIED  
24 PARTICIPANT, FORMER QUALIFIED PARTICIPANT, REFUND BENEFICIARY, OR  
25 OTHER PERSON WHO HAS A CLAIM TO A DISTRIBUTION OR ANY OTHER BENEFIT  
26 FROM TIER 2.

27           (3) THE DIRECTOR SHALL CORRECT ERRORS IN THE RECORDS AND

1 ACTIONS UNDER THIS ARTICLE, AND SHALL SEEK TO RECOVER OVERPAYMENTS  
2 AND SHALL MAKE UP UNDERPAYMENTS.

3 Enacting section 1. If any section or part of a section of  
4 this act is for any reason held to be invalid or unconstitutional,  
5 the holding does not affect the validity of the remaining sections  
6 of this act or the act in its entirety.