

**SENATE SUBSTITUTE FOR  
HOUSE BILL NO. 4701**

A bill to amend 1943 PA 240, entitled "State employees' retirement act," by amending sections 1b, 1e, 20, 27, 35, 38, 47, 48, 49, 50, 55, 64, 65, 67a, 68, and 68c (MCL 38.1b, 38.1e, 38.20, 38.27, 38.35, 38.38, 38.47, 38.48, 38.49, 38.50, 38.55, 38.64, 38.65, 38.67a, 38.68, and 38.68c), sections 1b, 20, and 48 as amended by 2002 PA 93, sections 1e and 64 as amended by 2004 PA 33, sections 27 and 67a as amended by 2004 PA 109, section 35 as added and sections 38, 68, and 68c as amended by 2010 PA 185, section 47 as amended by 2002 PA 743, section 49 as amended by 2008 PA 353, sections 50 and 65 as added by 1996 PA 487, and section 55 as amended by 2010 PA 256, and by adding sections 20j, 35a, 50a, 63a, 68b, and 68e.

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

1           Sec. 1b. (1) "Beneficiary" or "disability beneficiary" means a  
2 person other than a retirant who receives a retirement allowance,  
3 pension, or other benefit provided by this act.

4           (2) "Compensation" means the remuneration paid a member on  
5 account of the member's services rendered to this state. If a  
6 member's remuneration is not paid totally in money, the retirement  
7 board shall employ the maintenance-compensation schedules  
8 established from time to time by the civil service commission.  
9 Compensation does not include any of the following:

10           (a) Remuneration paid in lieu of accumulated sick leave.

11           (b) Remuneration for services rendered after October 1, 1981,  
12 payable at retirement or termination under voluntary or involuntary  
13 pay reduction plan B, in excess of the amount the member would have  
14 received had the member been compensated for those services at the  
15 rate of pay in effect at the time those services were performed.

16           (c) Payment for accrued annual leave at separation in excess  
17 of 240 hours.

18           (d) Remuneration received by an employee of the department  
19 formerly known as the department of mental health resulting from  
20 severance pay received because of the deinstitutionalization of the  
21 department formerly known as the department of mental health  
22 resident population.

23           (e) Remuneration received as a bonus by investment managers of  
24 the department of treasury under the treasury incentive bonus plan  
25 first approved by the civil service commission on February 11,  
26 1988, pursuant to section 5 of article XI of the state constitution  
27 of 1963.

1 (f) Remuneration received as a bonus or merit payment by  
2 assistant attorneys general in the department of attorney general  
3 under the merit pay plan approved by the civil service commission  
4 on January 19, 1990, pursuant to section 5 of article XI of the  
5 state constitution of 1963.

6 (G) **ANY AMOUNTS REFUNDED UNDER SECTION 35(2)**.

7 (3) "Conservation officer" means an employee of the department  
8 of natural resources, or its predecessor or successor agency, who  
9 has sworn to the prescribed oath of office and who is designated as  
10 a peace officer under section 1606 of ~~part 16 of the~~ natural  
11 resources and environmental protection act, 1994 PA 451, MCL  
12 324.1606, and section 1 of 1986 PA 109, MCL 300.21.

13 (4) "Credited service" means the sum of the prior service and  
14 membership service credited to a member's service account.

15 Sec. 1e. (1) "Final average compensation" means the average of  
16 those years of highest annual compensation paid to a member during  
17 a period of 5 consecutive years of credited service; or if the  
18 member has less than 5 years of credited service, then the average  
19 of the annual compensation paid to the member during the member's  
20 total years of credited service. For a person whose retirement  
21 allowance effective date is on or after October 1, 1987, "final  
22 average compensation" means the average of those years of highest  
23 annual compensation paid to a member during a period of 3  
24 consecutive years of credited service; or if the member has less  
25 than 3 years of credited service, then the average of the annual  
26 compensation paid to the member during the member's total years of  
27 credited service. **BEGINNING JANUARY 1, 2012, COMPENSATION USED TO**

1 COMPUTE FINAL AVERAGE COMPENSATION SHALL NOT INCLUDE INCLUDABLE  
2 OVERTIME COMPENSATION PAID TO THE MEMBER ON OR AFTER JANUARY 1,  
3 2012, EXCEPT THAT A MEMBER'S FINAL AVERAGE COMPENSATION THAT IS  
4 CALCULATED USING ANY TIME PERIOD ON OR AFTER JANUARY 1, 2012 SHALL  
5 ALSO INCLUDE, AS PRORATED FOR THE TIME PERIOD, THE AVERAGE OF  
6 ANNUAL INCLUDABLE OVERTIME COMPENSATION PAID TO THE MEMBER DURING  
7 THE 6 CONSECUTIVE YEARS OF CREDITED SERVICE ENDING ON THE SAME  
8 FINAL DATE AS USED TO CALCULATE THE FINAL AVERAGE COMPENSATION OR,  
9 IF THE CALCULATION DATE IS BEFORE JANUARY 1, 2015, THE AVERAGE OF  
10 THE ANNUAL INCLUDABLE OVERTIME COMPENSATION PAID TO THE MEMBER ON  
11 OR AFTER JANUARY 1, 2009 AND BEFORE THE FINAL DATE AS USED TO  
12 CALCULATE THE FINAL AVERAGE COMPENSATION. A member's final average  
13 compensation shall not be diminished because of required 1-day  
14 layoffs. The compensation used in computing the final average  
15 compensation for a period during which a member is in a voluntary  
16 or involuntary pay reduction plan A or on a designated temporary  
17 layoff shall include the value of the hours not worked calculated  
18 at the member's hourly rate or rates of pay in effect immediately  
19 before the applicable final average compensation period. A member's  
20 final average compensation shall not be increased or decreased by  
21 the member's participation in voluntary or involuntary pay  
22 reduction plan B. Payment for accrued annual leave at separation in  
23 excess of 240 hours and payment for part B annual leave hours at  
24 separation shall not be included in final average compensation.  
25 Beginning October 1, 2003, the compensation used to compute the  
26 final average compensation for a period during which a member is  
27 participating in the banked leave time program shall include the

1 value of any unpaid furlough hours and the value of any unpaid  
2 hours exchanged for part B annual leave hours calculated at the  
3 member's then current hourly rate or rates of pay.

4 (2) "Final compensation" means a member's annual rate of  
5 compensation at the time the member last terminates employment with  
6 this state.

7 (3) "Furlough hours" means unworked hours incurred in  
8 conjunction with the banked leave time program.

9 (4) **"INCLUDABLE OVERTIME COMPENSATION" MEANS THE VALUE OF**  
10 **OVERTIME PREMIUM PAYMENTS FOR SERVICES RENDERED ON OR AFTER JANUARY**  
11 **1, 2009, AND PAYMENTS FOR SERVICES RENDERED IN EXCESS OF 80 HOURS**  
12 **IN A BIWEEKLY PAY PERIOD ON OR AFTER JANUARY 1, 2009.**

13 (5) ~~(4)~~—"Internal revenue code" means the United States  
14 internal revenue code of 1986.

15 Sec. 20. (1) ~~Upon~~ **SUBJECT TO SECTION 20J, UPON** his or her  
16 retirement, as provided for in section 19, 19a, 19b, 19c, ~~or~~ 19d,  
17 **OR 19E**, a member shall receive a retirement allowance equal to the  
18 member's number of years and fraction of a year of credited service  
19 multiplied by 1-1/2% of his or her final average compensation. The  
20 member's retirement allowance is subject to subsection (3). Upon  
21 his or her retirement, the member may elect an option provided for  
22 in section 31(1).

23 (2) Pursuant to rules promulgated by the retirement board, a  
24 member who retires before becoming 65 years of age may elect to  
25 have his or her regular retirement allowance equated on an  
26 actuarial basis to provide an increased retirement allowance  
27 payable up to his or her attainment of 65 years of age and a

1 reduced retirement allowance payable after his or her attainment of  
2 65 years of age. His or her increased retirement allowance payable  
3 up to age 65 shall approximately equal the sum of his or her  
4 reduced retirement allowance payable after age 65 and his or her  
5 estimated social security primary insurance amount. In addition,  
6 upon retirement the member may elect an option provided for in  
7 section 31(1).

8 (3) If a retirant dies before receiving payment of his or her  
9 retirement allowance in an aggregate amount equal to the retirant's  
10 accumulated contributions credited to the retirant in the  
11 employees' savings fund at the time of his or her retirement, the  
12 difference between his or her accumulated contributions and the  
13 amount of retirement allowance received by him or her shall be paid  
14 to the person or persons that he or she nominated by written  
15 designation executed and filed with the retirement board. If the  
16 person or persons do not survive the retirant, then the difference,  
17 if any, shall be paid to the retirant's legal representative or  
18 estate. Benefits shall not be paid under this subsection on account  
19 of the death of the retirant if he or she elected an option  
20 provided for in section 31(1).

21 (4) If a member has 10 or more years of credited service, or  
22 has 5 or more years of credited service as an elected officer or in  
23 a position in the executive branch or the legislative branch  
24 excepted or exempt from the classified state civil service as  
25 provided in section 5 of article XI of the state constitution of  
26 1963, and is separated from the service of the state for a reason  
27 other than retirement or death, he or she shall remain a member

1 during the period of absence from the state service for the  
2 exclusive purpose of receiving a retirement allowance provided for  
3 in this section. If a former employee of the state accident fund  
4 who had 5 or more years of service as an employee of the state  
5 accident fund returns to employment with the state before receiving  
6 a retirement allowance under this act, the employee shall be  
7 required to accumulate 10 or more years of credited service before  
8 receiving a retirement allowance under this act. If a former  
9 employee of the Michigan biologic products institute who is  
10 eligible to and has elected to purchase additional credited service  
11 pursuant to section 17(2) returns to employment with the state  
12 before receiving a retirement allowance under this act, the  
13 employee shall be required to accumulate 10 or more years of  
14 credited service, without regard to the additional credited service  
15 purchased pursuant to section 17(2) but including any credited  
16 service authorized under section 16, before receiving a retirement  
17 allowance under this act. If the member withdraws all or part of  
18 his or her accumulated contributions, he or she ceases to be a  
19 member. Upon becoming 60 years of age or older, the member may  
20 retire upon his or her written application to the retirement board  
21 as provided in section 19(1). If a member elects an option as  
22 provided under section 31(4), but dies before the effective date of  
23 his or her retirement, the option elected by the member shall be  
24 carried out, and the beneficiary of the member is entitled to all  
25 advantages due under that option.

26 (5) A person who is a member after January 1, 1981, who has at  
27 least 5 years of credited service, and whose employment with the

1 department formerly known as the department of mental health is  
2 terminated by reason of reduction in force related to  
3 deinstitutionalization that may or may not result in facility  
4 closure, shall remain a member during the period of absence from  
5 the state service for the exclusive purpose of receiving a service  
6 retirement allowance as provided in this subsection. As used in  
7 this subsection, "deinstitutionalization" means planned reduction  
8 of state center or hospital beds through placement of individuals  
9 from the hospital or facility, or through limiting admissions to  
10 centers and hospitals, or both. If a member withdraws all or part  
11 of the member's accumulated contributions, the member ceases to be  
12 a member. Upon becoming 60 years of age or older, the member may  
13 retire upon written application to the retirement board. The  
14 application shall specify a date on which the member desires to  
15 retire. Upon retirement, the member shall receive a retirement  
16 allowance equal to the number of years and fraction of a year of  
17 credited state service multiplied by 1-1/2% of the member's final  
18 average compensation. Upon retirement, the member may elect an  
19 option provided in section 31(1). If the member elects an option  
20 provided for in section 31(4), but dies before the effective date  
21 of retirement, the option elected by the member shall be carried  
22 out, and a beneficiary of the member is entitled to all advantages  
23 due under the option.

24 (6) A retirant or the beneficiary of a retirant who retired  
25 before July 1, 1974 shall have his or her retirement allowance  
26 recalculated based on the retirant's number of years and fraction  
27 of a year of credited service multiplied by 1.5% of his or her



1 final average compensation. The retirant or beneficiary is eligible  
2 to receive the recalculated retirement allowance beginning October  
3 1, 1987, but is not eligible to receive the adjusted amount  
4 attributable to any month beginning before October 1, 1987. The  
5 recalculated retirement allowance provided by this subsection shall  
6 be paid by January 1, 1988 and shall be the basis on which future  
7 adjustments to the allowance, including the supplement provided by  
8 section 20h, are calculated. The retirement allowance of a retirant  
9 who dies before January 1, 1988, and who did not nominate a  
10 retirement allowance beneficiary pursuant to section 31, shall not  
11 be recalculated pursuant to this subsection.

12 (7) Each retirement allowance payable under this act shall  
13 date from the first of the month following the month in which the  
14 applicant satisfies the age and service or other requirements for  
15 receiving the retirement allowance and terminates state service. A  
16 full month's retirement allowance is payable for the month in which  
17 a retirement allowance ceases.

18 (8) An employee of the state accident fund who has 5 or more  
19 but less than 10 years of credited service as of the effective date  
20 of the transfer authorized by section 701a of the worker's  
21 disability compensation act of 1969, 1969 PA 317, MCL 418.701a, and  
22 who is permitted to receive a retirement allowance under subsection  
23 (4) is eligible for health care benefits under section 20d on the  
24 date of his or her retirement to the same extent as a member with  
25 10 years of credited service who vested on the same date.

26 (9) An employee of the Michigan biologic products institute  
27 who has 5 or more but less than 10 years of credited service as of

1 the effective date of the conveyance authorized by the Michigan  
2 biologic products institute transfer act, 1996 PA 522, MCL  
3 333.26331 TO 333.26340, and who is permitted to receive a  
4 retirement allowance under subsection (4) is eligible for health  
5 care benefits under section 20d on the date of his or her  
6 retirement to the same extent as a member with 10 years of credited  
7 service who vested on the same date.

8 SEC. 20J. (1) BEGINNING APRIL 1, 2012, THE CALCULATION OF A  
9 RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO DID NOT MAKE  
10 THE ELECTION UNDER SECTION 50A SHALL INCLUDE ONLY THE FOLLOWING  
11 ITEMS OF CREDITED SERVICE, AS APPLICABLE:

12 (A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE  
13 ACCRUED TO THAT MEMBER BEFORE APRIL 1, 2012.

14 (B) CREDIT FOR YEARS OF SERVICE UNDER SECTIONS 18(1) AND  
15 49(10).

16 (C) SERVICE CREDIT THAT WAS PURCHASED BEFORE APRIL 1, 2012.

17 (D) SERVICE CREDIT THAT IS PURCHASED UNDER A PAYMENT PLAN  
18 PURSUANT TO THIS ACT THAT WAS IN EFFECT AS OF MARCH 31, 2012.

19 (2) BEGINNING APRIL 1, 2012, THE CALCULATION OF A RETIREMENT  
20 ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO DID NOT MAKE THE ELECTION  
21 UNDER SECTION 50A SHALL INCLUDE ONLY THE FOLLOWING ITEMS OF  
22 COMPENSATION:

23 (A) COMPENSATION RECEIVED BY THE MEMBER BEFORE APRIL 1, 2012.

24 (B) UP TO 240 HOURS OF ACCRUED ANNUAL LEAVE PAID AT SEPARATION  
25 MULTIPLIED BY THE HOURLY RATE OF PAY FOR THE MEMBER AS OF MARCH 31,  
26 2012, WHICH FOR PURPOSES OF FINAL AVERAGE COMPENSATION SHALL BE  
27 TREATED AS BEING PAID ON MARCH 31, 2012.

1           (3) BEGINNING ON APRIL 1, 2012, A MEMBER WHO DID NOT MAKE THE  
2 ELECTION UNDER SECTION 50A SHALL CONTINUE TO ACCUMULATE YEARS OF  
3 SERVICE CREDIT AFTER BECOMING A QUALIFIED PARTICIPANT IN TIER 2  
4 ONLY AS NECESSARY FOR THE PURPOSE OF VESTING IN A RETIREMENT  
5 ALLOWANCE AND TO DETERMINE WHEN A RETIREMENT ALLOWANCE UNDER TIER 1  
6 MAY BEGIN UNDER THIS ACT, EXCEPT AS OTHERWISE PROVIDED IN SECTION  
7 50A(7).

8           (4) A MEMBER WHO DID NOT MAKE THE ELECTION UNDER SECTION 50A  
9 SHALL CONTINUE TO BE TREATED AS A MEMBER FOR PURPOSES OF TIER 1,  
10 EXCEPT AS OTHERWISE PROVIDED IN SECTION 50A(7) AND EXCEPT FOR THE  
11 LIMITATIONS ON CREDITED SERVICE AND COMPENSATION AS PROVIDED IN  
12 SUBSECTIONS (1) AND (2).

13           (5) BEGINNING APRIL 1, 2012, THE CALCULATION OF A RETIREMENT  
14 ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO MAKES THE ELECTION UNDER  
15 SECTION 50A(1) AND THE DESIGNATION UNDER SECTION 50A(2) SHALL  
16 INCLUDE ONLY THE FOLLOWING ITEMS OF CREDITED SERVICE, AS  
17 APPLICABLE:

18           (A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE  
19 ACCRUED TO THAT MEMBER ON OR BEFORE THE ATTAINMENT DATE.

20           (B) CREDIT FOR YEARS OF SERVICE UNDER SECTIONS 18(1) AND  
21 49(10).

22           (C) SERVICE CREDIT THAT WAS PURCHASED ON OR BEFORE THE  
23 ATTAINMENT DATE.

24           (D) SERVICE CREDIT THAT IS PURCHASED UNDER A PAYMENT PLAN  
25 PURSUANT TO THIS ACT THAT WAS IN EFFECT AS OF THE ATTAINMENT DATE.

26           (6) BEGINNING APRIL 1, 2012, THE CALCULATION OF A RETIREMENT  
27 ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO MAKES THE ELECTION UNDER

1 SECTION 50A(1) AND THE DESIGNATION UNDER SECTION 50A(2) SHALL  
2 INCLUDE ONLY THE FOLLOWING ITEMS OF COMPENSATION:

3 (A) COMPENSATION RECEIVED BY THE MEMBER ON OR BEFORE THE  
4 ATTAINMENT DATE.

5 (B) UP TO 240 HOURS OF ACCRUED ANNUAL LEAVE PAID AT SEPARATION  
6 MULTIPLIED BY THE HOURLY RATE OF PAY FOR THE MEMBER AS OF THE  
7 ATTAINMENT DATE, WHICH FOR PURPOSES OF FINAL AVERAGE COMPENSATION  
8 SHALL BE TREATED AS BEING PAID ON THE ATTAINMENT DATE.

9 (7) BEGINNING ON APRIL 1, 2012, A MEMBER WHO MAKES THE  
10 ELECTION UNDER SECTION 50A(1) AND THE DESIGNATION UNDER SECTION  
11 50A(2) SHALL CONTINUE TO ACCUMULATE YEARS OF SERVICE CREDIT AFTER  
12 BECOMING A QUALIFIED PARTICIPANT IN TIER 2 ONLY AS NECESSARY TO  
13 DETERMINE WHEN A RETIREMENT ALLOWANCE UNDER TIER 1 MAY BEGIN UNDER  
14 THIS ACT, EXCEPT AS OTHERWISE PROVIDED IN SECTION 50A(7).

15 (8) A MEMBER WHO MAKES THE ELECTION UNDER SECTION 50A(1) AND  
16 THE DESIGNATION UNDER SECTION 50A(2) SHALL CONTINUE TO BE TREATED  
17 AS A MEMBER FOR PURPOSES OF TIER 1, EXCEPT AS OTHERWISE PROVIDED IN  
18 SECTION 50A(7) AND EXCEPT FOR THE LIMITATIONS ON CREDITED SERVICE  
19 AND COMPENSATION AS PROVIDED IN SUBSECTIONS (5) AND (6).

20 (9) AS USED IN THIS SECTION, "ATTAINMENT DATE" MEANS THE FINAL  
21 DAY OF THE PAY PERIOD IN WHICH THE MEMBER ATTAINS 30 YEARS OF  
22 CREDITED SERVICE OR THE DATE THE MEMBER TERMINATES EMPLOYMENT,  
23 WHICHEVER FIRST OCCURS.

24 Sec. 27. (1) Except as provided in subsections (3), (4), and  
25 (5), if a member dies as a result of a personal injury or disease  
26 arising out of and in the course of his or her employment with the  
27 state and the personal injury or disease resulting in death is

1 found by the retirement board to have been the sole and exclusive  
2 result of employment with the state, the surviving spouse shall  
3 receive a retirement allowance calculated as if the deceased member  
4 had retired effective the day before the date of death, elected  
5 option A under section 31(1), and nominated his or her spouse as  
6 retirement allowance beneficiary. The retirement allowance shall be  
7 calculated **UNDER SECTION 20(1)** based upon the amount of the  
8 deceased member's credited service. If the deceased member does not  
9 have the minimum number of years of credited service needed to vest  
10 in the retirement system, the amount of service necessary to reach  
11 that amount of credited service shall be granted.

12 (2) The retirement allowance payable to a surviving spouse  
13 under this section shall not be less than \$6,000.00 per year. The  
14 retirement allowance first payable to a surviving spouse under  
15 subsection (1) shall not be more than an amount that, when added to  
16 the statutory worker's disability compensation benefits payable to  
17 the surviving spouse of the deceased member, equals the deceased  
18 member's final compensation.

19 (3) If the requirements of subsection (1) are met but the  
20 deceased member is survived by a spouse and a child or children  
21 under 21 years of age, then the retirement allowance calculated  
22 under subsections (1) and (2) shall be payable as follows:

23 (a) One-half to the surviving spouse.

24 (b) One-half to the surviving child or children under 21 years  
25 of age, in equal shares. The retirement allowance payable to a  
26 surviving child under this subsection shall terminate upon that  
27 child's marriage, death, or becoming 21 years of age, whichever

1 occurs first. That child's share of the terminated retirement  
2 allowance shall be redistributed among the remaining children under  
3 21 years of age, if any. When there are no surviving children  
4 entitled to a share of the retirement allowance under this  
5 subsection, the children's share shall revert to the surviving  
6 spouse.

7 (4) If the requirements of subsection (1) are met and the  
8 deceased member is not survived by a spouse but is survived by a  
9 child or children under 21 years of age, then the retirement  
10 allowance calculated under subsections (1) and (2) shall be paid to  
11 the surviving child or children in equal shares. The retirement  
12 allowance payable to a surviving child under this subsection shall  
13 terminate upon that child's marriage, death, or becoming 21 years  
14 of age, whichever occurs first. That child's share of the  
15 terminated retirement allowance shall be redistributed among the  
16 remaining children under 21 years of age, if any.

17 (5) If the other requirements of subsection (1) are met and  
18 neither a surviving spouse nor an eligible child surviving the  
19 deceased member or duty disability retirant exists, a monthly  
20 allowance shall be paid to 1 surviving dependent parent whom the  
21 retirement board finds to be totally and permanently disabled and  
22 to have been dependent upon the deceased member or retirant for at  
23 least 50% of the parent's financial support. ~~The~~ **SUBJECT TO SECTION**  
24 **20J, THE** allowance shall be computed in the same manner as if the  
25 deceased member or retirant had retired for reasons of age and  
26 service effective the day preceding the member's or retirant's  
27 death, elected the option provided in section 31(1)(a), and

1 nominated the surviving parent as retirement allowance beneficiary.  
2 The surviving parent's beneficiary retirement allowance shall  
3 terminate upon marriage or death.

4       Sec. 35. (1) ~~Except as otherwise provided in this section,~~  
5 ~~beginning~~ **BEGINNING** with the first pay date after November 1, 2010  
6 and ending ~~September 30, 2013~~ **NO LATER THAN THE SECOND PAY DATE**  
7 **AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS**  
8 **PHRASE**, each member and each qualified participant shall contribute  
9 an amount equal to 3.0% of the member's or qualified participant's  
10 compensation to the appropriate funding account established under  
11 the public employee retirement health care funding act, 2010 PA 77,  
12 MCL 38.2731 to 38.2747. The member and qualified participant  
13 contributions shall be deducted by the employer and remitted as  
14 employer contributions to the funding account in a manner that the  
15 state budget office and the retirement system shall determine. The  
16 state budget office and the retirement system shall determine a  
17 method of deducting the contributions provided for in this section  
18 from the compensation of each member and qualified participant for  
19 each payroll and each payroll period.

20 ~~—— (2) As used in this act~~ **SUBSECTION**, "funding account" means  
21 the appropriate irrevocable trust created in the public employee  
22 retirement health care funding act, 2010 PA 77, MCL 38.2731 to  
23 38.2747, for the deposit of funds and the payment of retirement  
24 health care benefits.

25 ~~—— (3) The department of technology, management, and budget shall~~  
26 ~~ensure, to the maximum extent possible, that payments made under~~  
27 ~~this section shall be applied for any tax credits or tax liability~~

House Bill No. 4701 as amended December 7, 2011

1 ~~reduction under the health care and education reconciliation act of~~  
2 ~~2010, Public Law 111-152.~~

3 (2) ON OR BEFORE <<THE BEGINNING DATE FOR MEMBER CONTRIBUTIONS  
4 UNDER SECTION 35A(1)>>, THE STATE OR THE RETIREMENT  
5 SYSTEM SHALL REFUND TO MEMBERS, FORMER MEMBERS, QUALIFIED  
6 PARTICIPANTS, AND FORMER QUALIFIED PARTICIPANTS WHO CONTRIBUTED  
7 UNDER SUBSECTION (1) ALL AMOUNTS CONTRIBUTED UNDER SUBSECTION (1),  
8 INCLUDING ANY ACTUAL INTEREST EARNED ON THOSE CONTRIBUTIONS WHILE  
9 BEING HELD BY THIS STATE OR THE RETIREMENT SYSTEM. THE REFUND SHALL  
10 BE INCLUDED IN A PAYROLL WARRANT ISSUED TO THAT MEMBER OR QUALIFIED  
11 PARTICIPANT, OR IN A SEPARATE CHECK ISSUED TO THAT FORMER MEMBER OR  
12 FORMER QUALIFIED PARTICIPANT. THE STATE OR THE RETIREMENT SYSTEM  
13 SHALL PERMIT EACH MEMBER OR QUALIFIED PARTICIPANT WHO CONTRIBUTED  
14 UNDER SUBSECTION (1) TO MAKE AN ELECTION BEFORE THE PAYMENT OF THE  
15 REFUND TO DEFER HIS OR HER REFUND TO AN APPROPRIATE TAX-DEFERRED  
16 ACCOUNT.

17 SEC. 35A. (1) BEGINNING WITH THE FIRST PAY DATE AFTER APRIL 1,  
18 2012 AND ENDING UPON THE MEMBER'S TERMINATION OF EMPLOYMENT OR  
19 ATTAINMENT DATE, AS APPLICABLE UNDER SECTION 50A, EACH MEMBER WHO  
20 MADE THE ELECTION UNDER SECTION 50A SHALL CONTRIBUTE AN AMOUNT  
21 EQUAL TO 4% OF HIS OR HER COMPENSATION TO THE EMPLOYEES' SAVINGS  
22 FUND TO PROVIDE FOR THE AMOUNT OF RETIREMENT ALLOWANCE THAT IS  
23 CALCULATED ONLY ON THE CREDITED SERVICE AND COMPENSATION RECEIVED  
24 BY THAT MEMBER AFTER MARCH 31, 2012. THE MEMBER SHALL NOT  
25 CONTRIBUTE ANY AMOUNT UNDER THIS SUBSECTION FOR ANY YEARS OF  
26 CREDITED SERVICE ACCRUED OR COMPENSATION RECEIVED BEFORE APRIL 1,  
27 2012.

(2) THE RETIREMENT SYSTEM AND STATE BUDGET DIRECTOR SHALL



1 DETERMINE A METHOD OF DEDUCTING THE CONTRIBUTIONS PROVIDED FOR IN  
2 THIS SECTION FROM THE COMPENSATION OF EACH MEMBER FOR EACH PAYROLL  
3 AND EACH PAYROLL PERIOD.

4 (3) THE STATE SHALL PICK UP THE MEMBER CONTRIBUTIONS REQUIRED  
5 BY SUBSECTION (1) FOR ALL COMPENSATION RECEIVED ON OR AFTER APRIL  
6 1, 2012. CONTRIBUTIONS PICKED UP SHALL BE TREATED AS EMPLOYER  
7 CONTRIBUTIONS IN DETERMINING TAX TREATMENT UNDER THE INTERNAL  
8 REVENUE CODE. THE STATE SHALL PAY THESE MEMBER CONTRIBUTIONS FROM  
9 THE SAME SOURCE OF FUNDS THAT IS USED IN PAYING COMPENSATION TO THE  
10 MEMBER.

11 (4) A MEMBER IS ENTITLED TO THE BENEFIT OF ALL CONTRIBUTIONS  
12 MADE UNDER THIS SECTION IN THE SAME MANNER AS PROVIDED UNDER  
13 SECTION 11(2).

14 Sec. 38. (1) The annual level percent of payroll contribution  
15 rate to finance the benefits provided under this act shall be  
16 determined by actuarial valuation pursuant to subsections (2) and  
17 (3), upon the basis of the risk assumptions adopted by the  
18 retirement board with approval of the department of **TECHNOLOGY**,  
19 management, and budget, and in consultation with the investment  
20 counsel and the actuary. An annual actuarial valuation shall be  
21 made of the retirement system in order to determine the actuarial  
22 condition of the retirement system and the required contribution to  
23 the retirement system. The actuary shall report to the legislature  
24 by April 15 of each year on the actuarial condition of the  
25 retirement system as of the end of the previous fiscal year and on  
26 the projections of state contributions for the next fiscal year.  
27 The actuary shall certify in the report that the techniques and

1 methodologies used are generally accepted within the actuarial  
2 profession and that the assumptions and cost estimates used fall  
3 within the range of reasonable and prudent assumptions and cost  
4 estimates. An annual actuarial gain-loss experience study of the  
5 retirement system shall be made in order to determine the financial  
6 effect of variations of actual retirement system experience from  
7 projected experience.

8 (2) The contribution rate for monthly benefits payable in the  
9 event of the death of a member before retirement or the disability  
10 of a member shall be computed using an individual projected benefit  
11 entry age normal cost method of valuation.

12 (3) Except as otherwise provided in this subsection, the  
13 contribution rate for benefits shall be computed using an  
14 individual projected benefit entry age normal cost method of  
15 valuation. For the 1995-96 state fiscal year and for each  
16 subsequent fiscal year in which the actuarial accrued liability for  
17 health benefits is less than 100% funded, the contribution rate for  
18 benefits provided under section 20d shall be computed using a cash  
19 disbursement method **WITH THE PAYMENT SCHEDULE FOR THE EMPLOYER**  
20 **BEING BASED UPON AND APPLIED TO THE COMBINED PAYROLLS OF THE**  
21 **EMPLOYEES WHO ARE MEMBERS AND QUALIFIED PARTICIPANTS.** Beginning in  
22 the fiscal year after the fiscal year in which the actuarial  
23 accrued liability for health benefits under section 20d is at least  
24 100% funded by the health advance funding subaccount created under  
25 section 11(9), and continuing for each subsequent fiscal year, the  
26 contribution rate for health benefits provided under section 20d  
27 shall be computed using an individual projected benefit entry age

1 normal cost method of valuation. The contribution rate for service  
2 that may be rendered in the current year, the normal cost  
3 contribution rate, shall be equal to the aggregate amount of  
4 individual entry age normal costs divided by 1% of the aggregate  
5 amount of active members' valuation compensation. The unfunded  
6 actuarial accrued liability shall be equal to the actuarial present  
7 value of benefits reduced by the actuarial present value of future  
8 normal cost contributions and the actuarial value of assets on the  
9 valuation date. Except as otherwise provided in this subsection,  
10 the unfunded actuarial accrued liability shall be amortized in  
11 accordance with generally accepted governmental accounting  
12 standards over a period equal to or less than 40 years, **WITH THE**  
13 **PAYMENT SCHEDULE FOR THE EMPLOYER BEING BASED UPON AND APPLIED TO**  
14 **THE COMBINED PAYROLLS OF THE EMPLOYEES WHO ARE MEMBERS AND**  
15 **QUALIFIED PARTICIPANTS.** ~~For the fiscal year that begins on October~~  
16 ~~1, 2006 only, the contribution for the unfunded actuarial accrued~~  
17 ~~liability shall be equal to 4.5% of the unfunded actuarial accrued~~  
18 ~~liability.~~

19 (4) The legislature annually shall appropriate to the  
20 retirement system the amount determined pursuant to subsections (2)  
21 and (3). The state treasurer shall transfer monthly to the  
22 retirement system an amount equal to the product of the  
23 contribution rates determined in subsections (2) and (3) times the  
24 aggregate amount of active member **OR QUALIFIED PARTICIPANT**  
25 compensation, **AS APPROPRIATE**, paid during that month. Not later  
26 than 60 days after the termination of each state fiscal year, the  
27 executive secretary of the retirement board shall certify to the

1 director of the department of **TECHNOLOGY**, management, and budget  
2 the actual aggregate compensations paid to active members **AND**  
3 **QUALIFIED PARTICIPANTS** during the preceding state fiscal year. Upon  
4 receipt of that certification, the director of the department of  
5 **TECHNOLOGY**, management, and budget shall compute the difference, if  
6 any, between actual state contributions received during the  
7 preceding state fiscal year and the product of the contribution  
8 rates determined in subsections (2) and (3) times the aggregate  
9 compensations paid to active members **OR QUALIFIED PARTICIPANTS, AS**  
10 **APPROPRIATE**, during the preceding state fiscal year. Except as  
11 otherwise provided in subsection (5), the difference, if any, shall  
12 be submitted in the executive budget to the legislature for  
13 appropriation in the next succeeding state fiscal year. This  
14 subsection does not apply for those fiscal years in which a deposit  
15 occurs pursuant to subsection (6).

16 (5) For differences occurring in fiscal years beginning on or  
17 after October 1, 1991, a minimum of 20% of the difference between  
18 the estimated and the actual aggregate compensation and the  
19 estimated and the actual contribution rate described in subsection  
20 (4), if any, may be submitted in the executive budget to the  
21 legislature for appropriation in the next succeeding state fiscal  
22 year and a minimum of 25% of the remaining difference shall be  
23 submitted in the executive budget to the legislature for  
24 appropriation in each of the following 4 state fiscal years, or  
25 until 100% of the remaining difference is submitted, whichever  
26 first occurs. In addition, interest shall be included for each year  
27 that a portion of the remaining difference is carried forward. The

1 interest rate shall equal the actuarially assumed rate of  
2 investment return for the state fiscal year in which payment is  
3 made. This subsection does not apply for those fiscal years in  
4 which a deposit occurs pursuant to subsection (6).

5 (6) For each fiscal year that begins on or after October 1,  
6 2001, if the actuarial valuation prepared pursuant to this section  
7 for each fiscal year demonstrates that as of the beginning of a  
8 fiscal year, and after all credits and transfers required by this  
9 act for the previous fiscal year have been made, the sum of the  
10 actuarial value of assets and the actuarial present value of future  
11 normal cost contributions exceeds the actuarial present value of  
12 benefits, the annual level percent of payroll contribution rate as  
13 determined pursuant to subsections (1), (2), and (3) may be  
14 deposited into the health advance funding subaccount created under  
15 section 11(9).

16 (7) Notwithstanding any other provision of this act, if the  
17 retirement board establishes an arrangement and fund as described  
18 in section 6 of the public employee retirement benefit protection  
19 act, **2002 PA 100, MCL 38.1686**, the benefits that are required to be  
20 paid from that fund shall be paid from a portion of the employer  
21 contributions described in this section or other eligible funds.  
22 The retirement board shall determine the amount of the employer  
23 contributions or other eligible funds that shall be allocated to  
24 that fund and deposit that amount in that fund before it deposits  
25 any remaining employer contributions or other eligible funds in the  
26 pension fund.

27 Sec. 47. (1) Upon retirement as provided in section 46, a

1 supplemental member shall be paid a temporary straight life  
2 supplemental early retirement allowance terminating upon the  
3 supplemental member reaching age 62 years or his or her death,  
4 whichever occurs first. Prior to the effective date of retirement,  
5 the supplemental member may choose to be paid his or her retirement  
6 allowance under an optional form of payment provided in section  
7 31(1)(a). For the purposes of this election, the provisions of  
8 section 31(1)(a) are modified to reflect the temporary nature of a  
9 supplemental early retirement allowance.

10 (2) ~~The~~ **SUBJECT TO SECTION 20J, THE** amount of the supplemental  
11 member's temporary straight life supplemental early retirement  
12 allowance is equal to the difference between (i) 2.0% of his or her  
13 supplemental final average compensation multiplied by his or her  
14 covered service plus 1.5% of the supplemental member's final  
15 average compensation multiplied by the excess, if any, of his or  
16 her credited service over his or her covered service; and (ii) the  
17 amount of retirement allowance paid under section 20.

18 Sec. 48. (1) A member who is a conservation officer may retire  
19 under this section if all of the following requirements are met:

20 (a) The member is a conservation officer on April 1, 1991.

21 (b) The member has 25 or more years of credited service, of  
22 which 20 years of credited service are as a conservation officer  
23 and of which the last 2 years of credited service are as a  
24 conservation officer.

25 (2) A member who is a conservation officer may retire under  
26 this section if the member has 25 or more years of credited  
27 service, of which 23 years of credited service are as a

1 conservation officer and of which the last 2 years of credited  
2 service are as a conservation officer.

3 (3) A member may retire under subsection (1) or (2) upon  
4 written application to the retirement board stating a date upon  
5 which he or she desires to retire. ~~Beginning~~ **SUBJECT TO SECTION**  
6 **20J, BEGINNING** on the retirement allowance effective date, he or  
7 she shall receive a retirement allowance equal to 60% of the  
8 member's annual compensation for the member's most highly  
9 compensated 24 consecutive months of service as a conservation  
10 officer. The formula for calculating a member's retirement  
11 allowance under this subsection shall never exceed the formula for  
12 calculating a retirement allowance under section 24 of the state  
13 police retirement act of 1986, 1986 PA 182, MCL 38.1624.

14 (4) A member who is a conservation officer may retire under  
15 this section if all of the following requirements are met:

16 (a) The member is a conservation officer on April 1, 1991.

17 (b) The member is 50 years of age or older.

18 (c) The member has 10 years of credited service as a  
19 conservation officer and the last 2 years of credited service are  
20 as a conservation officer.

21 (5) A member may retire under subsection (4) upon written  
22 application to the retirement board, on or after April 1, 1991, but  
23 not later than April 1, 1992, stating a date on which he or she  
24 desires to retire. The retirement allowance effective date shall be  
25 on or after May 1, 1991 but not later than July 1, 1992. Beginning  
26 on the retirement allowance effective date, he or she shall receive  
27 a retirement allowance equal to 2% of the member's annual

1 compensation for the member's most highly compensated 24  
2 consecutive months of service as a conservation officer times the  
3 number of years, including any fraction of a year, of service  
4 credited to the member under this act. However, a retirement  
5 allowance payable under this subsection shall not exceed 60% of the  
6 member's annual compensation for the member's most highly  
7 compensated 24 consecutive months of service as a conservation  
8 officer.

9 (6) Before the effective date of the retirement allowance, a  
10 member who is a conservation officer and who retires under this  
11 section shall elect to receive his or her retirement allowance  
12 under a form of payment as provided in section 31(1).

13 (7) Pursuant to rules promulgated by the retirement board, a  
14 member who retires under this section before becoming 65 years old  
15 may elect to have his or her regular retirement allowance equated  
16 on an actuarial basis to provide an increased retirement allowance  
17 payable to age 65 and a reduced retirement allowance payable after  
18 becoming 65 years old. The retirant's increased retirement  
19 allowance payable to age 65 shall approximately equal the sum of  
20 his or her reduced retirement allowance payable after age 65 and  
21 his or her estimated social security primary insurance amount.

22 (8) If a member who retires under this section dies before  
23 receiving payment of his or her retirement allowance in an  
24 aggregate amount equal to the accumulated contributions standing to  
25 the retirant's account in the employees' savings fund at the time  
26 of his or her retirement, the difference between his or her  
27 accumulated contributions and the amount of the retirement



1 allowance received by him or her shall be paid to the person or  
2 persons that the retirant has nominated by written designation duly  
3 executed and filed with the retirement board, or, if there is no  
4 such designated person or persons surviving, then to the retirant's  
5 legal representative or estate.

6 (9) The director of the department of natural resources, or  
7 his or her designee, shall certify to the retirement board that a  
8 member who applies to retire under this section is a conservation  
9 officer.

10 (10) This section does not prohibit a member who is a  
11 conservation officer and who does not meet the requirements of this  
12 section from qualifying for a retirement allowance under any other  
13 provision of this act.

14 Sec. 49. (1) This section is enacted pursuant to section  
15 401(a) of the internal revenue code, 26 USC 401, that imposes  
16 certain administrative requirements and benefit limitations for  
17 qualified governmental plans. This state intends that the  
18 retirement system be a qualified pension plan created in trust  
19 under section 401 of the internal revenue code, 26 USC 401, and  
20 that the trust be an exempt organization under section 501 of the  
21 internal revenue code, 26 USC 501. The department shall administer  
22 the retirement system to fulfill this intent.

23 (2) The retirement system shall be administered in compliance  
24 with the provisions of section 415 of the internal revenue code, 26  
25 USC 415, and regulations under that section that are applicable to  
26 governmental plans and beginning January 1, 2010, applicable  
27 provisions of the final regulations issued by the internal revenue

1 service on April 5, 2007. Employer-financed benefits provided by  
2 the retirement system under this act shall not exceed the  
3 applicable limitations set forth in section 415 of the internal  
4 revenue code, 26 USC 415, as adjusted by the commissioner of  
5 internal revenue under section 415(d) of the internal revenue code,  
6 26 USC 415, to reflect cost-of-living increases, and the retirement  
7 system shall adjust the benefits, including benefits payable to  
8 retirants and retirement allowance beneficiaries, subject to the  
9 limitation each calendar year to conform with the adjusted  
10 limitation. For purposes of section 415(b) of the internal revenue  
11 code, 26 USC 415, the applicable limitation shall apply to  
12 aggregated benefits received from all qualified pension plans for  
13 which the office of retirement services coordinates administration  
14 of that limitation. If there is a conflict between this section and  
15 another section of this act, this section prevails.

16 (3) The assets of the retirement system shall be held in trust  
17 and invested for the sole purpose of meeting the legitimate  
18 obligations of the retirement system and shall not be used for any  
19 other purpose. The assets shall not be used for or diverted to a  
20 purpose other than for the exclusive benefit of the members, vested  
21 former members, retirants, and retirement allowance beneficiaries  
22 before satisfaction of all retirement system liabilities.

23 (4) The retirement system shall return post-tax member  
24 contributions made by a member and received by the retirement  
25 system to a member upon retirement, pursuant to internal revenue  
26 service regulations and approved internal revenue service exclusion  
27 ratio tables.

1           (5) The required beginning date for retirement allowances and  
2 other distributions shall not be later than April 1 of the calendar  
3 year following the calendar year in which the employee attains age  
4 70-1/2 or April 1 of the calendar year following the calendar year  
5 in which the employee retires. The required minimum distribution  
6 requirements imposed by section 401(a)(9) of the internal revenue  
7 code, 26 USC 401, shall apply to this act and be administered in  
8 accordance with a reasonable and good faith interpretation of the  
9 required minimum distribution requirements for all years to which  
10 the required minimum distribution requirements apply to the  
11 retirement system.

12           (6) If the retirement system is terminated, the interest of  
13 the members, vested former members, retirants, and retirement  
14 allowance beneficiaries in the retirement system is nonforfeitable  
15 to the extent funded as described in section 411(d)(3) of the  
16 internal revenue code, 26 USC 411, and related internal revenue  
17 service regulations applicable to governmental plans.

18           (7) Notwithstanding any other provision of this act to the  
19 contrary that would limit a distributee's election under this act,  
20 a distributee may elect, at the time and in the manner prescribed  
21 by the retirement board, to have any portion of an eligible  
22 rollover distribution paid directly to an eligible retirement plan  
23 specified by the distributee in a direct rollover. This subsection  
24 applies to distributions made on or after January 1, 1993.

25 **BEGINNING OCTOBER 1, 2010, A NONSPOUSE BENEFICIARY MAY ELECT TO**  
26 **HAVE ANY PORTION OF AN AMOUNT PAYABLE UNDER THIS ACT THAT IS AN**  
27 **ELIGIBLE ROLLOVER DISTRIBUTION TREATED AS A DIRECT ROLLOVER THAT**

1 WILL BE PAID IN A DIRECT TRUSTEE-TO-TRUSTEE TRANSFER TO AN  
2 INDIVIDUAL RETIREMENT ACCOUNT OR INDIVIDUAL RETIREMENT ANNUITY  
3 DESCRIBED IN SECTION 408(A) OR (B) OF THE INTERNAL REVENUE CODE, 26  
4 USC 408, THAT IS ESTABLISHED FOR THE PURPOSE OF RECEIVING A  
5 DISTRIBUTION ON BEHALF OF THE BENEFICIARY AND THAT WILL BE TREATED  
6 AS AN INHERITED INDIVIDUAL RETIREMENT ACCOUNT OR INDIVIDUAL  
7 RETIREMENT ANNUITY PURSUANT TO SECTION 402(C) (11) OF THE INTERNAL  
8 REVENUE CODE, 26 USC 402.

9 (8) For purposes of determining actuarial equivalent  
10 retirement allowances under sections 31(1)(a) and (b) and 20(2),  
11 the actuarially assumed interest rate shall be 8% with utilization  
12 of the 1983 group annuity and mortality table.

13 (9) Notwithstanding any other provision of this act **TO THE**  
14 **CONTRARY**, the compensation of a member of the retirement system  
15 shall be taken into account for any year under the retirement  
16 system only to the extent that it does not exceed the compensation  
17 limit established in section 401(a)(17) of the internal revenue  
18 code, 26 USC 401, as adjusted by the commissioner of internal  
19 revenue. This subsection applies to any person who first becomes a  
20 member of the retirement system on or after October 1, 1996.

21 (10) Notwithstanding any other provision of this act **TO THE**  
22 **CONTRARY**, contributions, benefits, and service credit with respect  
23 to qualified military service will be provided under the retirement  
24 system in accordance with section 414(u) of the internal revenue  
25 code, 26 USC 414. This subsection applies to all qualified military  
26 service on or after December 12, 1994. Beginning on January 1,  
27 2007, in accordance with section 401(a)(37) of the internal revenue

1 code, 26 USC 401, if a member dies while performing qualified  
2 military service for purposes of determining death benefits payable  
3 under this act, the member shall be treated as having resumed and  
4 then terminated employment because of death.

5 Sec. 50. (1) Except as otherwise provided in subsection (2),  
6 the retirement system shall provide an opportunity for each member  
7 who is a member on March 30, 1997, to elect in writing to terminate  
8 membership in Tier 1 and elect to become a qualified participant in  
9 Tier 2. An election made by a member under this subsection is  
10 irrevocable. The retirement system shall accept written elections  
11 under this subsection from members during the period beginning on  
12 January 2, 1998 and ending on April 30, 1998. A member who does not  
13 make a written election or who does not file the election during  
14 the period specified in this subsection continues to be a member of  
15 Tier 1. A member who makes and files a written election under this  
16 subsection elects to do all of the following:

17 (a) Cease to be a member of Tier 1 effective 12 midnight May  
18 31, 1998.

19 (b) Become a qualified participant in Tier 2 effective 12:01  
20 a.m., June 1, 1998.

21 (c) Except as otherwise provided in this subdivision, waive  
22 all of his or her rights to a pension, an annuity, a retirement  
23 allowance, an insurance benefit, or any other benefit under this  
24 act effective 12 midnight May 31, 1998. This subdivision does not  
25 affect a person's right to health benefits provided under this act  
26 pursuant to section 68.

27 (2) This subsection applies to an individual who was a vested

1 member of Tier 1 on March 30, 1997 and who terminates the  
2 employment upon which that membership is based on or after March  
3 31, 1997 but on or before May 31, 1998. Before the termination of  
4 his or her employment, an individual described in this subsection  
5 may elect in writing to terminate membership in Tier 1 and become a  
6 qualified participant in Tier 2. An election made by a member under  
7 this subsection is irrevocable. The retirement system shall accept  
8 written elections under this subsection from a member during the  
9 period beginning on March 31, 1997 and ending on May 31, 1998. A  
10 member described in this subsection who does not make a written  
11 election or who does not file the election before the termination  
12 of his or her employment continues to be a member or defined member  
13 of Tier 1. A member who makes and files a written election under  
14 this subsection to terminate membership in Tier 1 elects to do all  
15 of the following:

16 (a) Cease to be a member of Tier 1 and become a qualified  
17 participant in Tier 2 effective 12 midnight on the day immediately  
18 preceding the date of the termination of employment.

19 (b) Become a former qualified participant in Tier 2 effective  
20 12:01 a.m. on the day immediately following the date described in  
21 subdivision (a).

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 date described in subdivision (a).  
26 This subdivision does not affect an individual's right to health  
27 benefits provided under this act pursuant to section 68.

1           (3) If an individual who was a deferred member on March 30,  
2 1997 or an individual who was a former nonvested member on March  
3 30, 1997 is reemployed **BEFORE JANUARY 1, 2012** and by virtue of that  
4 employment is again eligible for membership in Tier 1, the  
5 individual shall elect in writing to remain a member of Tier 1 or  
6 to terminate membership in Tier 1 and become a qualified  
7 participant in Tier 2. An election made by a deferred member or a  
8 former nonvested member under this subsection is irrevocable. The  
9 retirement system shall accept written elections under this  
10 subsection from a deferred member or a former nonvested member  
11 during the period beginning on the date of the individual's  
12 reemployment and ending upon the expiration of 60 days after the  
13 date of that reemployment **BUT NO LATER THAN FEBRUARY 29, 2012**. A  
14 deferred member or former nonvested member who makes and files a  
15 written election to remain a member of Tier 1 retains all rights  
16 and is subject to all conditions as a member of Tier 1 under this  
17 act. A deferred member or former nonvested member who does not make  
18 a written election or who does not file the election during the  
19 period specified in this subsection continues to be a member of  
20 Tier 1. A deferred member or former nonvested member who makes and  
21 files a written election to terminate membership in Tier 1 elects  
22 to do all of the following:

23           (a) Cease to be a member of Tier 1 effective 12 midnight on  
24 the last day of the payroll period that includes the date of the  
25 election.

26           (b) Become a qualified participant in Tier 2 effective 12:01  
27 a.m. on the first day of the payroll period immediately following

1 the date of the election.

2 (c) Except as otherwise provided in this subdivision, waive  
3 all of his or her rights to a pension, an annuity, a retirement  
4 allowance, an insurance benefit, or any other benefit under Tier 1  
5 effective 12 midnight on the last day of the payroll period that  
6 includes the date of the election. This subdivision does not affect  
7 an individual's right to health benefits provided under this act  
8 pursuant to section 68.

9 (4) After consultation with the retirement system's actuary  
10 and the retirement board, the department of **TECHNOLOGY**, management,  
11 and budget shall determine the method by which a member, deferred  
12 member, or former nonvested member shall make a written election  
13 under this section. If the member, deferred member, or former  
14 nonvested member is married at the time of the election, the  
15 election is not effective unless the election is signed by the  
16 individual's spouse. However, the retirement board may waive this  
17 requirement if the spouse's signature cannot be obtained because of  
18 extenuating circumstances.

19 (5) An election under this section is subject to the eligible  
20 domestic relations order act, ~~Act No. 46 of the Public Acts of~~  
21 ~~1991, being sections 38.1701 to 38.1711 of the Michigan Compiled~~  
22 ~~Laws-1991 PA 46, MCL 38.1701 TO 38.1711.~~

23 (6) If an individual who was a deferred member of the public  
24 school employees retirement system on March 30, 1997 is first  
25 employed and entered upon the payroll of his or her employer on or  
26 after March 31, 1997 **AND BEFORE JANUARY 1, 2012**, the retirement  
27 system shall provide an opportunity for that individual to elect in



1 writing to become a member of Tier 1 or to become a qualified  
2 participant of Tier 2. The retirement system and the individual  
3 shall follow the provisions and procedures provided in this section  
4 and by the state treasurer as if the individual were a deferred  
5 member of this retirement system on March 30, 1997.

6 (7) If the department of **TECHNOLOGY**, management, and budget  
7 receives notification from the United States internal revenue  
8 service that this section or any portion of this section will cause  
9 the retirement system to be disqualified for tax purposes under the  
10 internal revenue code, then the portion that will cause the  
11 disqualification does not apply.

12 (8) THIS SECTION DOES NOT APPLY TO A DEFERRED MEMBER OR FORMER  
13 NONVESTED MEMBER UNDER SUBSECTION (3) OR A DEFERRED MEMBER OF THE  
14 PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM UNDER SUBSECTION (6) ON  
15 OR AFTER JANUARY 1, 2012.

16 SEC. 50A. (1) THE RETIREMENT SYSTEM SHALL PERMIT EACH MEMBER  
17 WHO IS A MEMBER ON DECEMBER 31, 2011 TO MAKE AN ELECTION WITH THE  
18 RETIREMENT SYSTEM TO CONTINUE TO RECEIVE CREDIT FOR ANY FUTURE  
19 SERVICE AND COMPENSATION AFTER MARCH 31, 2012, FOR PURPOSES OF A  
20 CALCULATION OF A RETIREMENT ALLOWANCE UNDER THIS ACT. A MEMBER WHO  
21 MAKES THE ELECTION UNDER THIS SECTION SHALL MAKE THE CONTRIBUTIONS  
22 PRESCRIBED IN SECTION 35A.

23 (2) AS PART OF THE ELECTION UNDER SUBSECTION (1), THE  
24 RETIREMENT SYSTEM SHALL PERMIT THE MEMBER TO MAKE A DESIGNATION  
25 THAT THE CONTRIBUTIONS PRESCRIBED IN SECTION 35A SHALL BE PAID ONLY  
26 UNTIL THE MEMBER'S ATTAINMENT DATE. A MEMBER WHO MAKES THE ELECTION  
27 UNDER SUBSECTION (1) AND WHO MAKES THE DESIGNATION UNDER THIS

1 SUBSECTION SHALL MAKE THE CONTRIBUTIONS PRESCRIBED IN SECTION 35A  
2 ONLY UNTIL THE MEMBER'S ATTAINMENT DATE. A MEMBER WHO MAKES THE  
3 ELECTION UNDER SUBSECTION (1) AND WHO DOES NOT MAKE THE DESIGNATION  
4 OR RESCINDS THE DESIGNATION UNDER THIS SUBSECTION SHALL MAKE THE  
5 CONTRIBUTIONS PRESCRIBED IN SECTION 35A UNTIL TERMINATION OF  
6 EMPLOYMENT.

7 (3) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD OF  
8 ACCEPTING MEMBER ELECTIONS AND DESIGNATIONS UNDER THIS SECTION. THE  
9 RETIREMENT SYSTEM SHALL ACCEPT ELECTIONS AND DESIGNATIONS UNDER  
10 THIS SECTION FROM MEMBERS DURING AN ELECTION PERIOD THAT BEGINS ON  
11 JANUARY 3, 2012 AND ENDS AT 5 P.M. EASTERN STANDARD TIME ON MARCH  
12 2, 2012. A MEMBER MAY RESCIND AN ELECTION OR DESIGNATION ON OR  
13 BEFORE THE CLOSE OF THE ELECTION PERIOD. AN ELECTION OR DESIGNATION  
14 MADE BY A MEMBER AND NOT RESCINDED ON OR BEFORE THE CLOSE OF THE  
15 ELECTION PERIOD SHALL NOT BE RESCINDED.

16 (4) A MEMBER WHO DOES NOT MAKE THE ELECTION UNDER THIS SECTION  
17 OR WHO RESCINDS AN ELECTION ON OR BEFORE THE CLOSE OF THE ELECTION  
18 PERIOD UNDER THIS SECTION IS SUBJECT TO ALL OF THE FOLLOWING:

19 (A) HE OR SHE CEASES TO RECEIVE CREDIT FOR ANY FUTURE SERVICE  
20 AND COMPENSATION FOR PURPOSES OF A CALCULATION OF A RETIREMENT  
21 ALLOWANCE AS PRESCRIBED IN SECTION 20J, BEGINNING 12 MIDNIGHT ON  
22 MARCH 31, 2012.

23 (B) HE OR SHE BECOMES A QUALIFIED PARTICIPANT IN TIER 2  
24 BEGINNING 12:01 A.M. ON APRIL 1, 2012.

25 (C) HE OR SHE SHALL RECEIVE A RETIREMENT ALLOWANCE CALCULATED  
26 UNDER SECTION 20 THAT IS BASED ONLY ON CREDITED SERVICE AND  
27 COMPENSATION ALLOWED UNDER SECTION 20J(1) AND (2). THIS SUBDIVISION

1 DOES NOT AFFECT A PERSON'S RIGHT TO HEALTH INSURANCE COVERAGE  
2 PROVIDED UNDER SECTION 20D OR CREDIT FOR SERVICE PROVIDED UNDER  
3 SECTION 20J(3) .

4 (5) A MEMBER WHO MAKES THE ELECTION UNDER THIS SECTION AND THE  
5 DESIGNATION UNDER SUBSECTION (2) AND WHO DOES NOT RESCIND THE  
6 ELECTION AND DESIGNATION ON OR BEFORE THE CLOSE OF THE ELECTION  
7 PERIOD UNDER THIS SECTION IS SUBJECT TO ALL OF THE FOLLOWING:

8 (A) HE OR SHE CEASES TO RECEIVE CREDIT FOR ANY FUTURE SERVICE  
9 AND COMPENSATION FOR PURPOSES OF A CALCULATION OF A RETIREMENT  
10 ALLOWANCE AS PRESCRIBED IN SECTION 20J, BEGINNING 12 MIDNIGHT ON  
11 THE MEMBER'S ATTAINMENT DATE.

12 (B) HE OR SHE BECOMES A QUALIFIED PARTICIPANT IN TIER 2  
13 BEGINNING 12:01 A.M. ON THE DAY AFTER THE ATTAINMENT DATE IF HE OR  
14 SHE REMAINS EMPLOYED BY THIS STATE.

15 (C) HE OR SHE SHALL RECEIVE A RETIREMENT ALLOWANCE CALCULATED  
16 UNDER SECTION 20 THAT IS BASED ONLY ON CREDITED SERVICE AND  
17 COMPENSATION ALLOWED UNDER SECTION 20J(5) AND (6) . THIS SUBDIVISION  
18 DOES NOT AFFECT A PERSON'S RIGHT TO HEALTH INSURANCE COVERAGE  
19 PROVIDED UNDER SECTION 20D OR CREDIT FOR SERVICE PROVIDED UNDER  
20 SECTION 20J(7) .

21 (6) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION OR  
22 SUBSECTION (7) , A DEFERRED MEMBER OR FORMER NONVESTED MEMBER WHO IS  
23 REEMPLOYED ON OR AFTER JANUARY 1, 2012 SHALL BE TREATED IN THE SAME  
24 MANNER AS A MEMBER UNDER SECTION 20J WHO DID NOT MAKE THE ELECTION  
25 UNDER THIS SECTION AND SHALL BECOME A QUALIFIED PARTICIPANT IN TIER  
26 2. HOWEVER, A DEFERRED MEMBER OR FORMER NONVESTED MEMBER WHO, WHILE  
27 A MEMBER, MADE THE ELECTION UNDER THIS SECTION SHALL HAVE THE

1 CREDITED SERVICE ACCRUED AND COMPENSATION RECEIVED DURING THE TIME  
2 HE OR SHE MADE THE CONTRIBUTIONS UNDER SECTION 35A INCLUDED IN THE  
3 CALCULATION OF A RETIREMENT ALLOWANCE UNDER THIS ACT.

4 (7) A FORMER NONVESTED MEMBER WHO IS REEMPLOYED ON OR AFTER  
5 JANUARY 1, 2014 IS NOT ELIGIBLE FOR MEMBERSHIP IN TIER 1, SHALL  
6 BECOME A QUALIFIED PARTICIPANT IN TIER 2, AND SHALL BE TREATED AS  
7 BEING FIRST EMPLOYED BY THIS STATE AS OF HIS OR HER DATE OF  
8 REEMPLOYMENT.

9 (8) A DEFERRED MEMBER OF THE PUBLIC SCHOOL EMPLOYEES  
10 RETIREMENT SYSTEM WHO IS FIRST EMPLOYED AND ENTERED UPON THE  
11 PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JANUARY 1, 2012 SHALL  
12 BECOME A QUALIFIED PARTICIPANT IN TIER 2 AND SHALL NOT BE TREATED  
13 AS A MEMBER FOR ANY PURPOSE.

14 (9) AS USED IN THIS SECTION, "ATTAINMENT DATE" MEANS THAT TERM  
15 AS DEFINED IN SECTION 20J.

16 Sec. 55. (1) "Plan document" means the document that contains  
17 the provisions and procedures of Tier 2 in conformity with this act  
18 and the internal revenue code.

19 (2) "Qualified participant" means an individual who is a  
20 participant of Tier 2 and who meets 1 of the following  
21 requirements:

22 (a) ~~An individual who is~~ IS first employed and entered upon  
23 the payroll of his or her employer on or after March 31, 1997, and  
24 who before March 31, 1997 would have been eligible to be a member  
25 of Tier 1.

26 (b) ~~An individual who elects~~ **ELECTS** to terminate membership in  
27 Tier 1 and ~~who~~ elects to participate in Tier 2 in the manner

1 prescribed in section 50.

2 (c) ~~An individual who is~~ **IS** an adjutant general or an  
3 assistant adjutant general under the Michigan military act, 1967 PA  
4 150, MCL 32.501 to 32.851, and who is first employed as an adjutant  
5 general or assistant adjutant general on or after January 1, 2011.

6 (D) **WAS A MEMBER WHO DID NOT MAKE THE ELECTION UNDER SECTION**  
7 **50A.**

8 (E) **WAS A MEMBER WHO MADE THE ELECTION UNDER SECTION 50A(1)**  
9 **AND THE DESIGNATION UNDER SECTION 50A(2) AND WHO HAS ATTAINED 30**  
10 **YEARS OF CREDITED SERVICE OR WHO HAS TERMINATED EMPLOYMENT AND HAS**  
11 **BEEN REEMPLOYED BY THIS STATE.**

12 (F) **WAS A MEMBER AS DESCRIBED IN SECTION 50A(6), (7), OR (8).**

13 (3) "Refund beneficiary" means an individual nominated by a  
14 qualified participant or a former qualified participant under  
15 section 66 to receive a distribution of the participant's  
16 accumulated balance in the manner prescribed in section 67.

17 (4) "State treasurer" means the treasurer of this state.

18 (5) **"TAX-DEFERRED ACCOUNT" MEANS AN ACCOUNT OR ACCOUNTS OF**  
19 **EXISTING DEFERRED COMPENSATION PLANS OR PLANS ESTABLISHED BY THE**  
20 **RETIREMENT SYSTEM, FOR WHICH THE RETIREMENT SYSTEM HAS THE**  
21 **AUTHORITY TO DETERMINE THE MEMBERSHIP, ELIGIBILITY, TERMS,**  
22 **CONDITIONS, AND OTHER ADMINISTRATIVE AND OPERATIONAL FEATURES. TAX-**  
23 **DEFERRED ACCOUNT DOES NOT INCLUDE A HEALTH REIMBURSEMENT ACCOUNT**  
24 **FOR PURPOSES OTHER THAN COMPLYING WITH THE CONTRIBUTION LIMITS**  
25 **DESCRIBED IN SECTION 68B(12).**

26 (6) ~~(5)~~ Except as otherwise provided in this subsection, "year  
27 of service" means each period during which a qualified participant

1 is employed by the employer and is credited with 2,080 hours of  
2 service. The Tier 2 plan administrator and the plan document may  
3 provide for a lesser number of annual hours and a maximum number of  
4 hours per pay period for any classification of employees, provided  
5 that no participant shall receive credit for more than 1 year of  
6 service for any 12-month period of employment. Beginning January 1,  
7 2003, full service credit shall also be given to a participant for  
8 furlough hours, for required 1-day layoffs, for required and  
9 designated temporary layoffs, for a year in which a participant  
10 temporarily leaves employment to enter active military duty and  
11 then dies during that active military duty, and for participation  
12 in the banked leave time program. In the event a terminated  
13 participant is reemployed, such individual shall retain credit for  
14 all full and partial years of service completed prior to such  
15 reemployment, for purposes of determining his or her vesting  
16 percentage in any employer contributions made pursuant to section  
17 63(2) and (3) after his or her reemployment.

18 **SEC. 63A. TIER 2 AND TAX-DEFERRED ACCOUNTS ARE SUBJECT TO THE**  
19 **FOLLOWING TERMS AND CONDITIONS:**

20 **(A) ON OR BEFORE APRIL 1, 2012, THE RETIREMENT SYSTEM SHALL**  
21 **DESIGN AN AUTOMATIC ENROLLMENT FEATURE THAT PROVIDES THAT UNLESS A**  
22 **QUALIFIED PARTICIPANT WHO MAKES CONTRIBUTIONS UNDER SECTION 63(3)**  
23 **OR WHO IS DESCRIBED IN SECTION 68B(2) ELECTS TO CONTRIBUTE A LESSER**  
24 **AMOUNT, THE QUALIFIED PARTICIPANT SHALL CONTRIBUTE THE AMOUNT**  
25 **REQUIRED TO QUALIFY FOR ALL ELIGIBLE MATCHING CONTRIBUTIONS UNDER**  
26 **THIS ACT. THE RETIREMENT SYSTEM SHALL IMPLEMENT THIS AUTOMATIC**  
27 **ENROLLMENT FEATURE ON OR AFTER APRIL 1, 2012, AS DETERMINED BY THE**

1 RETIREMENT SYSTEM.

2 (B) IN ADDITION TO ELECTIVE EMPLOYEE CONTRIBUTIONS TO TIER 2  
3 OR A TAX-DEFERRED ACCOUNT, THE STATE MAY USE ELECTIVE EMPLOYEE  
4 CONTRIBUTIONS TO THE STATE 457 DEFERRED COMPENSATION PLAN AS A  
5 BASIS FOR MAKING EMPLOYER MATCHING CONTRIBUTIONS TO TIER 2 OR A  
6 TAX-DEFERRED ACCOUNT.

7 (C) EMPLOYER MATCHING CONTRIBUTIONS DO NOT HAVE TO BE MADE TO  
8 THE SAME PLAN OR ACCOUNT TO WHICH THE ELECTIVE EMPLOYEE  
9 CONTRIBUTIONS WERE CONTRIBUTED AS THE BASES FOR THE MATCHING  
10 CONTRIBUTIONS.

11 (D) ELECTIVE EMPLOYEE CONTRIBUTIONS SHALL NOT BE USED AS THE  
12 BASIS FOR MORE THAN AN EQUIVALENT AMOUNT OF EMPLOYER MATCHING  
13 CONTRIBUTIONS.

14 (E) THE RETIREMENT SYSTEM SHALL DESIGN AND IMPLEMENT A METHOD  
15 TO DETERMINE THE PROPER ALLOCATION OF EMPLOYER MATCHING  
16 CONTRIBUTIONS BASED ON ELECTIVE EMPLOYEE CONTRIBUTIONS AS PROVIDED  
17 IN THIS SECTION.

18 Sec. 64. (1) A qualified participant is immediately 100%  
19 vested in his or her contributions made to Tier 2 and employer  
20 contributions under the banked leave time program. Except as  
21 otherwise provided in this section, a qualified participant shall  
22 vest in the employer contributions made on his or her behalf to  
23 Tier 2 according to the following schedule:

24 (a) Upon completion of 2 years of service, 50%.

25 (b) Upon completion of 3 years of service, 75%.

26 (c) Upon completion of 4 years of service, 100%.

27 (2) A qualified participant is ~~vested in~~ **ELIGIBLE FOR** the

1 health insurance coverage provided in section 68 if the qualified  
2 participant meets 1 of the following requirements:

3 (a) The qualified participant has completed 10 years of  
4 service as a qualified participant, ~~and~~ was not a member, deferred  
5 member, or former nonvested member of Tier 1, **WAS FIRST EMPLOYED**  
6 **AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER BEFORE JANUARY**  
7 **1, 2012, AND DID NOT MAKE AN ELECTION TO OPT OUT OF HEALTH**  
8 **INSURANCE COVERAGE UNDER SECTION 68B.**

9 (b) The qualified participant was a member, deferred member,  
10 or former nonvested member of Tier 1 who made an election to  
11 participate in Tier 2 pursuant to section 50, and who has met the  
12 service requirements he or she would have been required to meet in  
13 order to vest in health benefits under section 20d.

14 Sec. 65. A qualified participant who was a member, deferred  
15 member, or former nonvested member of Tier 1 ~~who makes an election~~  
16 ~~to participate in Tier 2 pursuant to section 50,~~ shall be credited  
17 with the years of service accrued under Tier 1 on the effective  
18 date of participation in Tier 2 for the purpose of meeting the  
19 vesting requirements for benefits under section 64.

20 Sec. 67a. (1) Except as otherwise provided in **THIS SECTION OR**  
21 section 33, a qualified participant who becomes totally  
22 incapacitated for duty because of a personal injury or disease  
23 shall be retired if all of the following apply:

24 (a) Within 1 year after the qualified participant becomes  
25 totally incapacitated or at a later date if the later date is  
26 approved by the retirement board, the qualified participant, the  
27 qualified participant's personal representative or guardian, his or



1 her department head, or the state personnel director files an  
2 application on behalf of the member with the retirement board.

3 (b) The retirement board finds that the qualified  
4 participant's personal injury or disease is the natural and  
5 proximate result of the qualified participant's performance of  
6 duty.

7 (c) A medical advisor conducts a medical examination of the  
8 qualified participant and certifies in writing that the qualified  
9 participant is mentally or physically totally incapacitated for  
10 further performance of duty, that the total incapacitation is  
11 probably permanent, and that the qualified participant should be  
12 retired.

13 (d) The retirement board concurs in the recommendation of the  
14 medical advisor.

15 (2) If the retirement board grants the application of the  
16 qualified participant under subsection (1), the qualified  
17 participant shall be granted a supplemental benefit equivalent to  
18 the amount provided in section 23 as if the former qualified  
19 participant had retired under section 21, which supplemental  
20 benefit shall be offset by the value of the distribution of his or  
21 her accumulated balance as determined by the retirement system upon  
22 becoming a former qualified participant pursuant to section 67.

23 (3) If a qualified participant dies as a result of a personal  
24 injury or disease arising out of and in the course of his or her  
25 employment with this state, or if a former qualified participant  
26 who retired under subsection (1) who dies before becoming age 60  
27 and within 3 years after the former qualified participant's

1 disability retirement from the same causes from which he or she  
2 separated, and such death or illness or injuries resulting in death  
3 are found by the retirement board to have been the sole and  
4 exclusive result of employment with this state, a supplemental  
5 benefit shall be granted equivalent to the amount provided for in  
6 section 27 had the former qualified participant been considered  
7 retired under section 27, which supplemental benefit shall be  
8 offset by the value of the distribution of his or her accumulated  
9 balance upon becoming a former qualified participant pursuant to  
10 section 67.

11 (4) A qualified participant, former qualified participant, or  
12 beneficiary of a deceased participant, which participant is  
13 eligible for a duty disability retirement allowance pursuant to  
14 subsection (1), (2), or (3), is eligible for health insurance  
15 coverage under section 20d in all respects and under the same terms  
16 as would be a retirant and his or her beneficiaries under Tier 1.

17 (5) Except as otherwise provided in **THIS SECTION OR** section  
18 33, a qualified participant who becomes totally incapacitated for  
19 duty because of a personal injury or disease that is not the  
20 natural and proximate result of the qualified participant's  
21 performance of duty may be retired if all of the following apply:

22 (a) Within 1 year after the qualified participant becomes  
23 totally incapacitated or at a later date if the later date is  
24 approved by the retirement board, the qualified participant, the  
25 qualified participant's personal representative or guardian, the  
26 qualified participant's department head, or the state personnel  
27 director files an application on behalf of the qualified

1 participant with the retirement board.

2 (b) A medical advisor conducts a medical examination of the  
3 qualified participant and certifies in writing that the qualified  
4 participant is mentally or physically totally incapacitated for  
5 further performance of duty, that the incapacitation is likely to  
6 be permanent, and that the qualified participant should be retired.

7 (c) The qualified participant has been a state employee for at  
8 least 10 years.

9 (6) If the retirement board grants the application of the  
10 qualified participant under subsection (5), the qualified  
11 participant shall be granted a supplemental benefit equivalent to  
12 the amount provided for in section 25 as if the qualified  
13 participant had retired under section 24. The supplemental benefit  
14 shall be offset by the value of the distribution of his or her  
15 accumulated balance as determined by the retirement system upon  
16 becoming a former qualified participant pursuant to section 67.

17 (7) ~~If~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, IF** a  
18 qualified participant who has been a state employee for the number  
19 of years necessary to vest under Tier 1 dies as a result of causes  
20 occurring not in the performance of duty to this state, a  
21 supplemental benefit shall be granted equivalent to the amount  
22 provided for in section 25 had the former qualified participant  
23 been considered retired under section 24, which supplemental  
24 benefit shall be offset by the value of the distribution of his or  
25 her accumulated balance as determined by the retirement system upon  
26 becoming a former qualified participant pursuant to section 67.

27 (8) A qualified participant, former qualified participant, or

1 beneficiary of a deceased participant, which participant is  
2 eligible for a disability retirement allowance pursuant to  
3 subsection ~~(4) or~~ (5), **(6), OR (7)** is eligible for health insurance  
4 coverage under section 20d in all respects and under the same terms  
5 as would be a retirant and his or her beneficiaries under Tier 1.

6 **(9) THIS SECTION DOES NOT APPLY TO A QUALIFIED PARTICIPANT OR**  
7 **FORMER QUALIFIED PARTICIPANT WHO WAS A MEMBER WHO MEETS THE**  
8 **REQUIREMENTS OF SECTION 55(2) (D), (E), OR (F).**

9 **(10) SUBSECTIONS (4) AND (8) DO NOT APPLY TO A QUALIFIED**  
10 **PARTICIPANT OR FORMER QUALIFIED PARTICIPANT WHO WAS FIRST EMPLOYED**  
11 **AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER**  
12 **JANUARY 1, 2012.**

13 Sec. 68. (1) A former qualified participant may elect health  
14 insurance benefits in the manner prescribed in this section if he  
15 or she meets both of the following requirements:

16 (a) The former qualified participant is ~~vested in~~ **ELIGIBLE FOR**  
17 health benefits under section 64(2).

18 (b) The former qualified participant meets or exceeds the  
19 benefit commencement age employed in the actuarial present value  
20 calculation under section 51 and the service requirements that  
21 would have applied to that former **QUALIFIED** participant under Tier  
22 1 for receiving health insurance coverage under section 20d, if  
23 that former **QUALIFIED** participant was a member of Tier 1.

24 (2) A former qualified participant who is eligible to elect  
25 health insurance coverage under subsection (1) may elect health  
26 insurance coverage in a health benefit plan or plans as authorized  
27 by section 20d. A former qualified participant who is eligible to

1 elect health insurance coverage under subsection (1) may also elect  
2 health insurance coverage for his or her health benefit dependents,  
3 if any. A surviving health benefit dependent of a deceased former  
4 qualified participant who is eligible to elect health insurance  
5 coverage under subsection (1) may elect health insurance coverage  
6 in the manner prescribed in this section.

7 (3) An individual who elects health insurance coverage under  
8 this section shall become a member of a health insurance coverage  
9 group authorized pursuant to section 20d.

10 (4) For a former qualified participant who is eligible to  
11 elect health insurance coverage under subsection (1) and who is  
12 ~~vested in~~ **ELIGIBLE FOR** those benefits under section 64(2)(a), and  
13 for his or her health benefit dependents, this state shall pay a  
14 portion of the health insurance premium as calculated under this  
15 subsection on a cash disbursement method. An individual described  
16 in this subsection who elects health insurance coverage under this  
17 section shall pay to the retirement system the remaining portion of  
18 the health insurance coverage premium not paid by this state under  
19 this subsection. For a former qualified participant who commenced  
20 state employment before April 1, 2010 and for his or her health  
21 benefit dependents, the portion of the health insurance coverage  
22 premium paid by this state under this subsection shall be equal to  
23 the product of 3% and the former qualified participant's years of  
24 service, up to 30 years, but shall not exceed the lesser of 90% of  
25 the payments for health insurance coverage or the portion of the  
26 health insurance coverage premiums payable by this state for a  
27 retirant, his or her beneficiary, and his or her dependents under

1 section 20d. If the individual elects the health insurance coverage  
2 provided under section 20d, the state shall transfer its portion of  
3 the amount calculated under this subsection to the health insurance  
4 reserve fund created by section 11. For a former qualified  
5 participant who commenced state employment on or after April 1,  
6 2010 and for his or her health benefit dependents, the portion of  
7 the health insurance coverage premium paid by this state under this  
8 subsection shall be equal to the product of 3% and the former  
9 qualified participant's years of service, up to 30 years, but shall  
10 not exceed the lesser of the portion of the health insurance  
11 coverage premiums payable by this state for a retirant, his or her  
12 beneficiary, and his or her dependents under section 20d or the  
13 portion of the health insurance coverage premiums payable by this  
14 state for a member who occupies a position in the classified state  
15 civil service or has classified civil service status commencing  
16 state employment on or after April 1, 2010.

17 (5) For a former qualified participant who is eligible to  
18 elect health insurance coverage under subsection (1) and who is  
19 ~~vested in~~ **ELIGIBLE FOR** those benefits under section 64(2)(b), and  
20 for his or her health benefit dependents, this state shall pay a  
21 portion of the health insurance premium as calculated under this  
22 subsection on a cash disbursement method. An individual described  
23 in this subsection who elects health insurance coverage under this  
24 section shall pay to the retirement system the remaining portion of  
25 the health insurance coverage premium not paid by this state under  
26 this subsection. The portion of the health insurance coverage  
27 premium paid by this state under this subsection shall be equal to

1 the premium amounts paid on behalf of retirants of Tier 1 for  
2 health insurance coverage under section 20d. If the individual  
3 elects the health insurance coverage provided under section 20d,  
4 the state shall transfer its portion of the amount calculated under  
5 this subsection to the health insurance reserve fund created by  
6 section 11.

7 (6) Beginning January 1, 2011, any former qualified  
8 participant or health benefit dependent who is eligible to elect  
9 health insurance coverage under this section and who previously  
10 elected coverage under a different plan than the plan authorized  
11 under section 20d may either elect coverage under this section or  
12 may at his or her own cost participate in coverage under a  
13 different plan than the plan authorized under section 20d.

14 (7) If the department of technology, management, and budget  
15 receives notification from the United States internal revenue  
16 service that this section or any portion of this section will cause  
17 the retirement system to be disqualified for tax purposes under the  
18 internal revenue code, then the portion that will cause the  
19 disqualification does not apply.

20 (8) As used in this section, "health insurance coverage" means  
21 the hospitalization and medical insurance, dental coverage, vision  
22 coverage, and any other health care insurance provided in section  
23 20d.

24 **(9) SUBSECTIONS (1) TO (8) DO NOT APPLY TO A QUALIFIED**  
25 **PARTICIPANT OR FORMER QUALIFIED PARTICIPANT WHO WAS FIRST EMPLOYED**  
26 **AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER**  
27 **JANUARY 1, 2012 OR WHO MADE THE ELECTION TO OPT OUT OF HEALTH**

House Bill No. 4701 (S-1) as amended December 8, 2011  
1 INSURANCE COVERAGE UNDER SECTION 68B.

2 (10) A FORMER QUALIFIED PARTICIPANT MAY ENROLL IN THE SAME  
3 RETIREE HEALTH CARE PLAN OFFERED BY THIS STATE AND AVAILABLE TO  
4 FORMER QUALIFIED PARTICIPANTS WHO COMMENCED STATE EMPLOYMENT ON OR  
5 AFTER APRIL 1, 2010, IF HE OR SHE MEETS ALL OF THE FOLLOWING  
6 REQUIREMENTS:

7 (A) THE FORMER QUALIFIED PARTICIPANT MADE THE ELECTION TO OPT  
8 OUT OF HEALTH INSURANCE COVERAGE UNDER SECTION 68B [OR WAS FIRST EMPLOYED  
AND ENTERED ON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JANUARY 1,  
2012].

9 (B) THE FORMER QUALIFIED PARTICIPANT MEETS OR EXCEEDS THE  
10 BENEFIT COMMENCEMENT AGE AS SET FORTH IN SECTION 51(3)(B)(iii).

11 (C) THE FORMER QUALIFIED PARTICIPANT ENROLLS IMMEDIATELY ON  
12 TERMINATION.

13 (D) THE FORMER QUALIFIED PARTICIPANT HAS NOT PREVIOUSLY  
14 DISENROLLED FROM THE PLAN.

15 (E) THE FORMER QUALIFIED PARTICIPANT PAYS THE TOTAL COST OF  
16 THE PLAN.

17 SEC. 68B. (1) A QUALIFIED PARTICIPANT OR FORMER QUALIFIED  
18 PARTICIPANT WHO WAS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF  
19 HIS OR HER EMPLOYER ON OR AFTER JANUARY 1, 2012 OR WHO MADE AN  
20 ELECTION UNDER SUBSECTION (5) OR (6) SHALL NOT RECEIVE ANY HEALTH  
21 INSURANCE COVERAGE PREMIUM FROM THIS STATE UNDER SECTION 68. IN  
22 LIEU OF ANY HEALTH INSURANCE COVERAGE PREMIUM THAT MIGHT HAVE BEEN  
23 PAID BY THIS STATE UNDER SECTION 68, A QUALIFIED PARTICIPANT'S  
24 EMPLOYER SHALL MAKE A MATCHING CONTRIBUTION UP TO 2% OF THE  
25 QUALIFIED PARTICIPANT'S COMPENSATION TO AN APPROPRIATE TAX-DEFERRED  
26 ACCOUNT FOR EACH QUALIFIED PARTICIPANT WHO WAS FIRST EMPLOYED AND  
27 ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JANUARY



1 1, 2012 OR WHO MADE AN ELECTION UNDER SUBSECTION (5) OR (6). A  
2 MATCHING CONTRIBUTION UNDER THIS SUBSECTION SHALL NOT BE USED AS  
3 THE BASIS FOR A LOAN FROM AN EMPLOYEE'S TIER 2 OR TAX-DEFERRED  
4 ACCOUNT.

5 (2) A QUALIFIED PARTICIPANT WHO WAS FIRST EMPLOYED AND ENTERED  
6 UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JANUARY 1, 2012  
7 OR WHO MADE AN ELECTION UNDER SUBSECTION (5) OR (6) MAY MAKE A  
8 CONTRIBUTION UP TO 2% OF THE QUALIFIED PARTICIPANT'S COMPENSATION  
9 TO AN APPROPRIATE TAX-DEFERRED ACCOUNT.

10 (3) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A  
11 QUALIFIED PARTICIPANT IS VESTED IN CONTRIBUTIONS MADE TO HIS OR HER  
12 TAX-DEFERRED ACCOUNT UNDER SUBSECTIONS (1) AND (2) ACCORDING TO THE  
13 VESTING PROVISIONS UNDER SECTION 64(1). A QUALIFIED PARTICIPANT WHO  
14 IS ELIGIBLE FOR HEALTH INSURANCE COVERAGE UNDER SECTION 67A(4) OR  
15 (8) IS NOT VESTED IN ANY EMPLOYER CONTRIBUTIONS UNDER SUBSECTION  
16 (1) AND FORFEITS THE CONTRIBUTIONS AND EARNINGS ON THE  
17 CONTRIBUTIONS.

18 (4) THE CONTRIBUTIONS DESCRIBED IN THIS SECTION SHALL BEGIN  
19 WITH THE FIRST PAYDAY AFTER THE QUALIFIED PARTICIPANT IS EMPLOYED  
20 OR ON OR AFTER APRIL 1, 2012 FOR A QUALIFIED PARTICIPANT WHO MAKES  
21 AN ELECTION UNDER SUBSECTION (5) OR (6) AND END UPON HIS OR HER  
22 TERMINATION OF EMPLOYMENT.

23 (5) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, BEGINNING  
24 JANUARY 3, 2012 AND ENDING AT 5 P.M. EASTERN STANDARD TIME ON MARCH  
25 2, 2012, THE RETIREMENT SYSTEM SHALL PERMIT EACH QUALIFIED  
26 PARTICIPANT WHO IS A QUALIFIED PARTICIPANT ON DECEMBER 31, 2011 TO  
27 MAKE AN ELECTION TO OPT OUT OF THE HEALTH INSURANCE COVERAGE

1 PREMIUM THAT WOULD HAVE BEEN PAID BY THIS STATE UNDER SECTION 68  
2 AND OPT IN TO THE TAX-DEFERRED ACCOUNT PROVISIONS OF THIS SECTION  
3 EFFECTIVE APRIL 1, 2012. A QUALIFIED PARTICIPANT WHO IS A QUALIFIED  
4 PARTICIPANT ON DECEMBER 31, 2011 AND WHO DOES NOT MAKE THE ELECTION  
5 UNDER THIS SUBSECTION CONTINUES TO BE ELIGIBLE FOR THE HEALTH  
6 INSURANCE COVERAGE PREMIUM PAID BY THIS STATE UNDER SECTION 68 AND  
7 IS NOT ELIGIBLE FOR THE TAX-DEFERRED ACCOUNT PROVISIONS OF THIS  
8 SECTION. A QUALIFIED PARTICIPANT WHO IS A QUALIFIED PARTICIPANT ON  
9 DECEMBER 31, 2011 AND WHO MAKES THE ELECTION UNDER THIS SUBSECTION  
10 SHALL CEASE ACCRUING YEARS OF SERVICE CREDIT FOR PURPOSES OF  
11 CALCULATING A PORTION OF THE HEALTH INSURANCE COVERAGE PREMIUM THAT  
12 WOULD HAVE BEEN PAID BY THIS STATE UNDER SECTION 68 AS IF THAT  
13 SECTION CONTINUED TO APPLY AND FOR THE PORTION OF THE AMOUNT TO BE  
14 CALCULATED UNDER SUBSECTION (7) FOR CREDITING TO A TAX-DEFERRED  
15 ACCOUNT. THIS SUBSECTION DOES NOT APPLY TO ANY OF THE FOLLOWING:

16 (A) A FORMER MEMBER WHO MADE AN ELECTION TO BECOME A QUALIFIED  
17 PARTICIPANT UNDER SECTION 50.

18 (B) A MEMBER WHO DID NOT MAKE THE ELECTION UNDER SECTION 50A.

19 (C) A MEMBER WHO MADE THE ELECTION UNDER SECTION 50A(1) AND  
20 THE DESIGNATION UNDER SECTION 50A(2), WHO HAS ATTAINED 30 YEARS OF  
21 CREDITED SERVICE, AND WHO REMAINS EMPLOYED BY THIS STATE.

22 (D) A FORMER QUALIFIED PARTICIPANT WHO WAS A FORMER QUALIFIED  
23 PARTICIPANT ON DECEMBER 31, 2011.

24 (6) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A FORMER  
25 QUALIFIED PARTICIPANT WHO HAS 10 OR MORE YEARS OF SERVICE ON OR  
26 BEFORE DECEMBER 31, 2011 AND WHO IS REEMPLOYED BY THIS STATE ON OR  
27 AFTER JANUARY 1, 2012 AND BEFORE JANUARY 1, 2014 MAY MAKE AN

1 ELECTION UNDER THIS SUBSECTION AND RECEIVE AN AMOUNT, IF ANY, AS  
2 DETERMINED UNDER THIS SECTION. BEGINNING ON THE DATE OF THE FORMER  
3 QUALIFIED PARTICIPANT'S REEMPLOYMENT AND ENDING 60 DAYS AFTER THE  
4 FORMER QUALIFIED PARTICIPANT'S FIRST PAY DATE, THE RETIREMENT  
5 SYSTEM SHALL PERMIT THE FORMER QUALIFIED PARTICIPANT TO MAKE AN  
6 ELECTION TO OPT OUT OF THE HEALTH INSURANCE COVERAGE PREMIUM THAT  
7 WOULD HAVE BEEN PAID BY THIS STATE UNDER SECTION 68 AND OPT IN TO  
8 THE TAX-DEFERRED ACCOUNT PROVISIONS OF THIS SECTION EFFECTIVE ON OR  
9 AFTER THE FORMER QUALIFIED PARTICIPANT'S DATE OF REEMPLOYMENT. IF  
10 THE FORMER QUALIFIED PARTICIPANT DOES NOT MAKE THE ELECTION UNDER  
11 THIS SUBSECTION, HE OR SHE CONTINUES TO BE ELIGIBLE FOR THE HEALTH  
12 INSURANCE COVERAGE PREMIUM PAID BY THIS STATE UNDER SECTION 68 AND  
13 IS NOT ELIGIBLE FOR THE TAX-DEFERRED ACCOUNT PROVISIONS OF THIS  
14 SECTION. A FORMER QUALIFIED PARTICIPANT WHO MAKES THE ELECTION  
15 UNDER THIS SUBSECTION CEASES TO ACCRUE YEARS OF SERVICE CREDIT FOR  
16 PURPOSES OF CALCULATING A PORTION OF THE HEALTH INSURANCE COVERAGE  
17 PREMIUM THAT WOULD HAVE BEEN PAID BY THIS STATE UNDER SECTION 68 AS  
18 IF THAT SECTION CONTINUED TO APPLY AND FOR PURPOSES OF CALCULATING  
19 THE PORTION OF THE AMOUNT TO BE CREDITED TO A TAX-DEFERRED ACCOUNT  
20 UNDER SUBSECTION (7). THIS SUBSECTION DOES NOT APPLY TO ANY OF THE  
21 FOLLOWING:

22 (A) A FORMER MEMBER WHO MADE AN ELECTION TO BECOME A QUALIFIED  
23 PARTICIPANT UNDER SECTION 50.

24 (B) A MEMBER WHO DID NOT MAKE THE ELECTION UNDER SECTION 50A.

25 (C) A MEMBER WHO MADE THE ELECTION UNDER SECTION 50A(1) AND  
26 THE DESIGNATION UNDER SECTION 50A(2), WHO HAS ATTAINED 30 YEARS OF  
27 CREDITED SERVICE, AND WHO REMAINS EMPLOYED BY THIS STATE.

1           (7) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, IN LIEU OF  
2 ANY HEALTH INSURANCE COVERAGE PREMIUM THAT MIGHT HAVE BEEN PAID BY  
3 THIS STATE UNDER SECTION 68, THE RETIREMENT SYSTEM SHALL CALCULATE  
4 AN AMOUNT TO BE CREDITED AT TERMINATION TO AN APPROPRIATE TAX-  
5 DEFERRED ACCOUNT FOR EACH QUALIFIED PARTICIPANT WHO MAKES AN  
6 ELECTION UNDER SUBSECTION (5) OR (6). THE AMOUNT DESCRIBED IN THIS  
7 SUBSECTION SHALL BE AN AMOUNT CALCULATED TO APPROXIMATE THE  
8 ACTUARIAL PRESENT VALUE AS OF 12 MIDNIGHT MARCH 31, 2012 OF THE  
9 PROJECTED RETIRANT HEALTH BENEFITS BASED ON THE CURRENT BENEFIT  
10 STRUCTURE UNDER SECTION 68 AND THE QUALIFIED PARTICIPANT'S YEARS OF  
11 SERVICE AS OF MARCH 31, 2012. THE AMOUNT CALCULATED UNDER THIS  
12 SUBSECTION SHALL BE EQUAL TO THE PRODUCT OF ALL OF THE FOLLOWING AS  
13 DETERMINED BY THE RETIREMENT SYSTEM IN CONSULTATION WITH THE  
14 ACTUARY FOR THE SYSTEM:

15           (A) AN AVERAGE MONTHLY PREMIUM OF \$1,000.00, PAYABLE FOR THE  
16 LIFE OF THE QUALIFIED PARTICIPANT, WHICH APPROXIMATES THE OVERALL  
17 AVERAGE VALUE OF ALL TYPES OF PREMIUM COVERAGES FOR SINGLE AND  
18 MULTIPLE LIVES DURING BOTH PRE-MEDICARE AND POST-MEDICARE PERIODS.

19           (B) A FROZEN BENEFIT ACCRUAL PERCENT THAT IS THE PRODUCT OF 3%  
20 AND THE QUALIFIED PARTICIPANT'S YEARS OF SERVICE AS OF MARCH 31,  
21 2012, UP TO 30 YEARS.

22           (C) A DEFERRED LIFE ANNUITY FACTOR EQUAL TO THE ACTUARIAL  
23 PRESENT VALUE AS OF MARCH 31, 2012 OF \$1.00 PER MONTH PAYABLE FOR  
24 THE LIFE OF THE QUALIFIED PARTICIPANT, BASED ON THE FOLLOWING  
25 ACTUARIAL ASSUMPTIONS:

26           (i) AN INTEREST DISCOUNT RATE OF 4% ANNUALLY FOR ALL FUTURE  
27 YEARS, WHICH APPROXIMATES THE USE OF AN ASSUMED RATE OF INVESTMENT

1 RETURN OR INTEREST DISCOUNT RATE OF 8%, COMBINED WITH AN ASSUMPTION  
2 THAT THE AVERAGE PREMIUM IS PROJECTED TO INCREASE 4% ANNUALLY FOR  
3 ALL FUTURE YEARS.

4 (ii) MORTALITY RATES BASED ON A 50% MALE - 50% FEMALE BLEND OF  
5 THE 1994 GROUP ANNUITY MORTALITY TABLE SET FORWARD 1 YEAR FOR BOTH  
6 MALES AND FEMALES.

7 (iii) COMMENCEMENT OF THE \$1.00 PER MONTH DEFERRED LIFE ANNUITY  
8 BASED ON AN ASSUMPTION THAT THE QUALIFIED PARTICIPANT WILL  
9 TERMINATE EMPLOYMENT UPON REACHING AGE 60 AND THAT THE QUALIFIED  
10 PARTICIPANT WOULD HAVE RECEIVED HEALTH INSURANCE COVERAGE  
11 IMMEDIATELY UPON TERMINATION OF EMPLOYMENT.

12 (8) THE AMOUNT CALCULATED UNDER SUBSECTION (7) SHALL BE  
13 ADJUSTED ANNUALLY FROM MARCH 31, 2012 TO THE DATE OF THE QUALIFIED  
14 PARTICIPANT'S ACTUAL TERMINATION OF EMPLOYMENT. EXCEPT AS OTHERWISE  
15 PROVIDED IN THIS SUBSECTION, THE RETIREMENT SYSTEM SHALL ESTABLISH  
16 THE AMOUNT OF THE ANNUAL ADJUSTMENT TO BE EQUAL TO THE CHANGE IN  
17 THE MEDICAL CARE COMPONENT OF THE UNITED STATES CONSUMER PRICE  
18 INDEX FOR THE MOST RECENT 12-MONTH PERIOD FOR WHICH DATA ARE  
19 AVAILABLE FROM THE BUREAU OF LABOR STATISTICS OF THE UNITED STATES  
20 DEPARTMENT OF LABOR. THE ADJUSTMENT UNDER THIS SUBSECTION SHALL NOT  
21 BE LESS THAN 0% AND SHALL NOT BE MORE THAN 4%.

22 (9) THE AMOUNT CALCULATED UNDER SUBSECTION (7) AND ADJUSTED  
23 UNDER SUBSECTION (8) SHALL BE CREDITED AT THE QUALIFIED  
24 PARTICIPANT'S FIRST TERMINATION OF EMPLOYMENT FOLLOWING DECEMBER  
25 31, 2011, TO THE QUALIFIED PARTICIPANT'S TAX-DEFERRED ACCOUNT  
26 ACCORDING TO THE FOLLOWING SCHEDULE:

27 (A) ONE HUNDRED PERCENT OF THE CALCULATED AMOUNT TO A

1 QUALIFIED PARTICIPANT WHO IS AT LEAST 60 YEARS OF AGE WITH AT LEAST  
2 10 YEARS OF SERVICE OR IS AT LEAST 55 YEARS OF AGE WITH AT LEAST 30  
3 YEARS OF SERVICE.

4 (B) FIFTY PERCENT OF THE CALCULATED AMOUNT TO A QUALIFIED  
5 PARTICIPANT WHO HAS AT LEAST 10 YEARS OF SERVICE AND WHO DOES NOT  
6 MEET THE AGE AND SERVICE QUALIFICATIONS OF SUBDIVISION (A).

7 (10) AN INDIVIDUAL WHO IS A FORMER QUALIFIED PARTICIPANT ON  
8 DECEMBER 31, 2011, WHO HAS 10 OR MORE YEARS OF SERVICE ON OR BEFORE  
9 DECEMBER 31, 2011, AND WHO IS REEMPLOYED BY THIS STATE ON OR AFTER  
10 JANUARY 1, 2014 SHALL BE TREATED IN THE SAME MANNER AS A QUALIFIED  
11 PARTICIPANT UNDER THIS SECTION WHO MADE THE ELECTION UNDER  
12 SUBSECTION (5) AND SHALL RECEIVE AN AMOUNT, IF ANY, AS DETERMINED  
13 UNDER THIS SECTION. THIS SUBSECTION DOES NOT APPLY TO ANY OF THE  
14 FOLLOWING:

15 (A) A FORMER MEMBER WHO MADE THE ELECTION TO BECOME A  
16 QUALIFIED PARTICIPANT UNDER SECTION 50.

17 (B) A MEMBER WHO DID NOT MAKE THE ELECTION UNDER SECTION 50A.

18 (C) A MEMBER WHO MADE THE ELECTION UNDER SECTION 50A(1) AND  
19 THE DESIGNATION UNDER SECTION 50A(2), WHO HAS ATTAINED 30 YEARS OF  
20 CREDITED SERVICE, AND WHO REMAINS EMPLOYED BY THIS STATE.

21 (11) IN LIEU OF ANY OTHER HEALTH INSURANCE COVERAGE THAT MIGHT  
22 HAVE BEEN PAID BY THIS STATE, A CREDIT TO A HEALTH REIMBURSEMENT  
23 ACCOUNT WITHIN THE TRUST CREATED UNDER THE PUBLIC EMPLOYEE  
24 RETIREMENT HEALTH CARE FUNDING ACT, 2010 PA 77, MCL 38.2731 TO  
25 38.2747, SHALL BE MADE BY THIS STATE IN THE AMOUNTS AND TO THE  
26 QUALIFIED PARTICIPANTS OR FORMER QUALIFIED PARTICIPANTS AS FOLLOWS:

27 (A) TWO THOUSAND DOLLARS TO A QUALIFIED PARTICIPANT WHO WAS

1 FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER  
2 ON OR AFTER JANUARY 1, 2012, WHO IS 60 YEARS OF AGE OR OLDER, AND  
3 WHO HAS AT LEAST 10 YEARS OF SERVICE AT HIS OR HER FIRST  
4 TERMINATION OF EMPLOYMENT.

5 (B) ONE THOUSAND DOLLARS TO A QUALIFIED PARTICIPANT WHO WAS  
6 FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER  
7 ON OR AFTER JANUARY 1, 2012, WHO IS LESS THAN 60 YEARS OF AGE, AND  
8 WHO HAS AT LEAST 10 YEARS OF SERVICE AT HIS OR HER FIRST  
9 TERMINATION OF EMPLOYMENT.

10 (C) TWO THOUSAND DOLLARS TO A FORMER QUALIFIED PARTICIPANT WHO  
11 HAS LESS THAN 10 YEARS OF SERVICE AS OF DECEMBER 31, 2011, WHO IS  
12 REEMPLOYED BY THIS STATE ON OR AFTER JANUARY 1, 2012, WHO IS 60  
13 YEARS OF AGE OR OLDER, AND WHO HAS AT LEAST 10 YEARS OF SERVICE AT  
14 HIS OR HER FIRST TERMINATION OF EMPLOYMENT FOLLOWING DECEMBER 31,  
15 2011. THIS SUBDIVISION DOES NOT APPLY TO AN INDIVIDUAL DESCRIBED IN  
16 SUBSECTION (10) (A), (B), OR (C).

17 (D) ONE THOUSAND DOLLARS TO A FORMER QUALIFIED PARTICIPANT WHO  
18 HAS LESS THAN 10 YEARS OF SERVICE AS OF DECEMBER 31, 2011, WHO IS  
19 REEMPLOYED BY THIS STATE ON OR AFTER JANUARY 1, 2012, WHO IS LESS  
20 THAN 60 YEARS OF AGE, AND WHO HAS AT LEAST 10 YEARS OF SERVICE AT  
21 HIS OR HER FIRST TERMINATION OF EMPLOYMENT FOLLOWING DECEMBER 31,  
22 2011. THIS SUBDIVISION DOES NOT APPLY TO AN INDIVIDUAL DESCRIBED IN  
23 SUBSECTION (10) (A), (B), OR (C).

24 (E) TWO THOUSAND DOLLARS SHALL BE THE MINIMUM AMOUNT CREDITED  
25 TO A QUALIFIED PARTICIPANT WHO MADE AN ELECTION UNDER SUBSECTION  
26 (5) AND WHO DOES NOT OTHERWISE QUALIFY FOR AN AMOUNT OR QUALIFIES  
27 FOR A LESSER AMOUNT UNDER THIS SUBSECTION AT HIS OR HER FIRST

1 TERMINATION OF EMPLOYMENT AFTER DECEMBER 31, 2011.

2 (12) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD TO  
3 IMPLEMENT SUBSECTIONS (5) TO (11), INCLUDING A METHOD FOR CREDITING  
4 THE AMOUNTS IN SUBSECTION (9) TO COMPLY WITH ANY CONTRIBUTION  
5 LIMITS IMPOSED BY THE INTERNAL REVENUE CODE, INCLUDING, BUT NOT  
6 LIMITED TO, CREDITING OF PAYMENTS BEFORE TERMINATION OF EMPLOYMENT.

7 (13) SUBSECTIONS (5) TO (11) DO NOT APPLY TO A QUALIFIED  
8 PARTICIPANT WHO IS ELIGIBLE FOR HEALTH INSURANCE COVERAGE UNDER  
9 SECTION 67A(4) OR (8).

10 (14) ON OR BEFORE JANUARY 1, 2017, THE RETIREMENT SYSTEM SHALL  
11 PROVIDE A REPORT TO THE CHAIR OF THE HOUSE AND SENATE  
12 APPROPRIATIONS COMMITTEES THAT PROVIDES THE PROJECTED IMPACT OF  
13 SUBSECTION (11) AS IT APPLIES TO QUALIFIED PARTICIPANTS ENTERED  
14 UPON THE PAYROLL OF THIS STATE ON OR AFTER JANUARY 1, 2017 WITH  
15 REGARD TO THE ANNUAL REQUIRED CONTRIBUTION AS USED BY THE  
16 GOVERNMENTAL ACCOUNTING STANDARDS BOARD AND FOR PURPOSES OF THE  
17 ANNUAL FINANCIAL STATEMENTS PREPARED UNDER SECTION 12(1).

18 Sec. 68c. (1) Except as otherwise provided in this section, a  
19 retirant who is receiving a retirement allowance under this act and  
20 is employed by this state beginning on or after October 2, 2007  
21 agrees to forfeit his or her right to receive that retirement  
22 allowance during this period of state employment. The retirement  
23 system shall cease payment of the retirement allowance to a  
24 retirant described in this subsection during this period of state  
25 employment and shall reinstate payment of the retirement allowance  
26 without recalculation when the period of state employment ceases.  
27 This subsection does not apply to a retirant who is **DIRECTLY OR**



1 **INDIRECTLY** employed by this state on October 1, 2007 so long as he  
2 or she remains in the position held by the retirant on October 1,  
3 2007. As used in this subsection, "employed by this state" means  
4 employed directly by this state as an employee, ~~or~~ indirectly by  
5 this state through a contractual arrangement with other parties, -  
6 ~~Beginning after October 1, 2010, "employed by this state" shall~~  
7 ~~also include~~ **OR BY** engagement **OF THE RETIRANT** by ~~the~~ **THIS** state as  
8 an independent contractor. This subsection does not apply to a  
9 retirant who is engaged as an independent contractor on October 1,  
10 2010 so long as the retirant remains engaged in the same contract  
11 that was held by the retirant on October 1, 2010 without amendment  
12 or extension.

13 (2) A hospital, medical-surgical, and sick care benefits plan,  
14 dental plan, vision plan, and hearing plan that covers retirants,  
15 retirant allowance beneficiaries, former qualified participants,  
16 and health benefit dependents under this act shall contain a  
17 coordination of benefits provision that provides all of the  
18 following:

19 (a) If the person covered under any of the plans is also  
20 eligible for medicare, then the benefits under medicare shall be  
21 determined before the health insurance benefits under this act.

22 (b) If a person covered under any of the plans provided by  
23 this act is also covered under another plan that contains a  
24 coordination of benefits provision, the benefits shall be  
25 coordinated as provided in the coordination of benefits act, 1984  
26 PA 64, MCL 550.251 to 550.255.

27 (c) If the person covered under any of the plans provided by

1 this act is also covered under another plan that does not contain a  
2 coordination of benefits provision, the benefits under the other  
3 plan shall be determined before the benefits provided pursuant to  
4 this act.

5 (3) Subsection (1) does not apply to a retirant if all of the  
6 following apply:

7 (a) The retirant is hired to provide health care services to  
8 individuals under the jurisdiction of the department of  
9 corrections.

10 (b) The retirant is hired in a position that is limited in  
11 term, no benefits are paid, and pay is on a per diem basis.

12 (c) The department of corrections provides written notice to  
13 the state budget office and the department of technology,  
14 management, and budget that attempts have been made to fill the  
15 position through postings and recruitment and that the position  
16 vacancy still exists.

17 (d) The department of corrections reports the employment of a  
18 retirant under this subsection within 30 days of employment of the  
19 retirant to the state budget office and the department of  
20 technology, management, and budget. The report shall include the  
21 name of the retirant, the capacity in which the retirant is  
22 employed, and the total compensation paid to the retirant.

23 (4) Subsection (1) does not apply to the appointment of a  
24 retirant who was an assistant attorney general as a special  
25 assistant attorney general ~~when~~ **IF** the attorney general determines  
26 that, as a result of his or her previous employment with the state,  
27 the retirant possesses specialized expertise and experience

1 necessary for the appointment and that the appointment is the most  
2 cost-effective option for this state.

3 SEC. 68E. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR ENDING  
4 SEPTEMBER 30, 2012 \$1,900,000.00 TO THE OFFICE OF RETIREMENT  
5 SERVICES IN THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT, AND BUDGET  
6 FOR ADMINISTRATION OF THE CHANGES UNDER THE AMENDATORY ACT THAT  
7 ADDED THIS SECTION.

8 (2) THE APPROPRIATION AUTHORIZED UNDER SUBSECTION (1) IS A  
9 WORK PROJECT APPROPRIATION, AND ANY UNENCUMBERED OR UNALLOTTED  
10 FUNDS ARE CARRIED FORWARD INTO THE FOLLOWING FISCAL YEAR. THE  
11 FOLLOWING IS IN COMPLIANCE WITH SECTION 451A(1) OF THE MANAGEMENT  
12 AND BUDGET ACT, 1984 PA 431, MCL 18.1451A:

13 (A) THE PURPOSE OF THE PROJECT IS TO ADMINISTER CHANGES UNDER  
14 THE AMENDATORY ACT THAT ADDED THIS SECTION.

15 (B) THE WORK PROJECT WILL BE ACCOMPLISHED THROUGH A PLAN  
16 UTILIZING INTERAGENCY AGREEMENTS, EMPLOYEES, AND CONTRACTS.

17 (C) THE TOTAL ESTIMATED COMPLETION COST OF THE WORK PROJECT IS  
18 \$1,900,000.00.

19 (D) THE ESTIMATED COMPLETION DATE FOR THE WORK PROJECT IS  
20 SEPTEMBER 30, 2013.

21 Enacting section 1. If the office of retirement services in  
22 the department of technology, management, and budget receives  
23 notification from the United States internal revenue service that  
24 any section or any portion of a section of this amendatory act will  
25 cause the retirement system to be disqualified for tax purposes  
26 under the internal revenue code, then the portion that will cause  
27 the disqualification does not apply.

1           Enacting section 2. This amendatory act does not take effect  
2 unless House Bill No. 4702 of the 96th Legislature is enacted into  
3 law.