

**SUBSTITUTE FOR
HOUSE BILL NO. 4701**

A bill to amend 1943 PA 240, entitled "State employees' retirement act," by amending sections 1b, 20, 27, 35, 38, 47, 48, 49, 50, 55, 64, 65, 67a, 68, and 68c (MCL 38.1b, 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 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, section 55 as amended by 2010 PA 256, and section 64 as amended by 2004 PA 33, 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) OVERTIME PREMIUM PAYMENTS FOR SERVICES RENDERED ON OR
7 AFTER JANUARY 1, 2012.

8 (H) PAYMENT FOR SERVICES IN EXCESS OF 80 HOURS IN A BIWEEKLY
9 PAY PERIOD RENDERED ON OR AFTER JANUARY 1, 2012.

10 (I) ANY AMOUNTS REFUNDED UNDER SECTION 35(2).

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

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

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

27 (2) Pursuant to rules promulgated by the retirement board, a

1 member who retires before becoming 65 years of age may elect to
2 have his or her regular retirement allowance equated on an
3 actuarial basis to provide an increased retirement allowance
4 payable up to his or her attainment of 65 years of age and a
5 reduced retirement allowance payable after his or her attainment of
6 65 years of age. His or her increased retirement allowance payable
7 up to age 65 shall approximately equal the sum of his or her
8 reduced retirement allowance payable after age 65 and his or her
9 estimated social security primary insurance amount. In addition,
10 upon retirement the member may elect an option provided for in
11 section 31(1).

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

25 (4) If a member has 10 or more years of credited service, or
26 has 5 or more years of credited service as an elected officer or in
27 a position in the executive branch or the legislative branch

1 excepted or exempt from the classified state civil service as
2 provided in section 5 of article XI of the state constitution of
3 1963, and is separated from the service of the state for a reason
4 other than retirement or death, he or she shall remain a member
5 during the period of absence from the state service for the
6 exclusive purpose of receiving a retirement allowance provided for
7 in this section. If a former employee of the state accident fund
8 who had 5 or more years of service as an employee of the state
9 accident fund returns to employment with the state before receiving
10 a retirement allowance under this act, the employee shall be
11 required to accumulate 10 or more years of credited service before
12 receiving a retirement allowance under this act. If a former
13 employee of the Michigan biologic products institute who is
14 eligible to and has elected to purchase additional credited service
15 pursuant to section 17(2) returns to employment with the state
16 before receiving a retirement allowance under this act, the
17 employee shall be required to accumulate 10 or more years of
18 credited service, without regard to the additional credited service
19 purchased pursuant to section 17(2) but including any credited
20 service authorized under section 16, before receiving a retirement
21 allowance under this act. If the member withdraws all or part of
22 his or her accumulated contributions, he or she ceases to be a
23 member. Upon becoming 60 years of age or older, the member may
24 retire upon his or her written application to the retirement board
25 as provided in section 19(1). If a member elects an option as
26 provided under section 31(4), but dies before the effective date of
27 his or her retirement, the option elected by the member shall be

1 carried out, and the beneficiary of the member is entitled to all
2 advantages due under that option.

3 (5) A person who is a member after January 1, 1981, who has at
4 least 5 years of credited service, and whose employment with the
5 department formerly known as the department of mental health is
6 terminated by reason of reduction in force related to
7 deinstitutionalization that may or may not result in facility
8 closure, shall remain a member during the period of absence from
9 the state service for the exclusive purpose of receiving a service
10 retirement allowance as provided in this subsection. As used in
11 this subsection, "deinstitutionalization" means planned reduction
12 of state center or hospital beds through placement of individuals
13 from the hospital or facility, or through limiting admissions to
14 centers and hospitals, or both. If a member withdraws all or part
15 of the member's accumulated contributions, the member ceases to be
16 a member. Upon becoming 60 years of age or older, the member may
17 retire upon written application to the retirement board. The
18 application shall specify a date on which the member desires to
19 retire. Upon retirement, the member shall receive a retirement
20 allowance equal to the number of years and fraction of a year of
21 credited state service multiplied by 1-1/2% of the member's final
22 average compensation. Upon retirement, the member may elect an
23 option provided in section 31(1). If the member elects an option
24 provided for in section 31(4), but dies before the effective date
25 of retirement, the option elected by the member shall be carried
26 out, and a beneficiary of the member is entitled to all advantages
27 due under the option.

1 (6) A retirant or the beneficiary of a retirant who retired
2 before July 1, 1974 shall have his or her retirement allowance
3 recalculated based on the retirant's number of years and fraction
4 of a year of credited service multiplied by 1.5% of his or her
5 final average compensation. The retirant or beneficiary is eligible
6 to receive the recalculated retirement allowance beginning October
7 1, 1987, but is not eligible to receive the adjusted amount
8 attributable to any month beginning before October 1, 1987. The
9 recalculated retirement allowance provided by this subsection shall
10 be paid by January 1, 1988 and shall be the basis on which future
11 adjustments to the allowance, including the supplement provided by
12 section 20h, are calculated. The retirement allowance of a retirant
13 who dies before January 1, 1988, and who did not nominate a
14 retirement allowance beneficiary pursuant to section 31, shall not
15 be recalculated pursuant to this subsection.

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

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

1 date of his or her retirement to the same extent as a member with
2 10 years of credited service who vested on the same date.

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

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

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

18 (B) CREDIT FOR YEARS OF SERVICE UNDER SECTIONS 18(1) AND
19 49(10).

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

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

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

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

1 (B) UP TO 240 HOURS OF ACCRUED ANNUAL LEAVE PAID AT SEPARATION
2 MULTIPLIED BY THE HOURLY RATE OF PAY FOR THE MEMBER AS OF MARCH 31,
3 2012, WHICH FOR PURPOSES OF FINAL AVERAGE COMPENSATION SHALL BE
4 TREATED AS BEING PAID ON MARCH 31, 2012.

5 (3) BEGINNING ON APRIL 1, 2012, A MEMBER WHO DID NOT MAKE THE
6 ELECTION UNDER SECTION 50A SHALL CONTINUE TO ACCUMULATE YEARS OF
7 SERVICE CREDIT AFTER BECOMING A QUALIFIED PARTICIPANT IN TIER 2
8 ONLY AS NECESSARY FOR THE PURPOSE OF VESTING IN A RETIREMENT
9 ALLOWANCE AND TO DETERMINE WHEN A RETIREMENT ALLOWANCE UNDER TIER 1
10 MAY BEGIN UNDER THIS ACT, EXCEPT AS OTHERWISE PROVIDED IN SECTION
11 50A(7).

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

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

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

24 (B) CREDIT FOR YEARS OF SERVICE UNDER SECTIONS 18(1) AND
25 49(10).

26 (C) SERVICE CREDIT THAT WAS PURCHASED ON OR BEFORE THE
27 ATTAINMENT DATE.

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

3 (6) BEGINNING APRIL 1, 2012, THE CALCULATION OF A RETIREMENT
4 ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO MAKES THE ELECTION UNDER
5 SECTION 50A(1) AND THE DESIGNATION UNDER SECTION 50A(2) SHALL
6 INCLUDE ONLY THE FOLLOWING ITEMS OF COMPENSATION:

7 (A) COMPENSATION RECEIVED BY THE MEMBER ON OR BEFORE THE
8 ATTAINMENT DATE.

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

13 (7) BEGINNING ON APRIL 1, 2012, A MEMBER WHO MAKES THE
14 ELECTION UNDER SECTION 50A(1) AND THE DESIGNATION UNDER SECTION
15 50A(2) SHALL CONTINUE TO ACCUMULATE YEARS OF SERVICE CREDIT AFTER
16 BECOMING A QUALIFIED PARTICIPANT IN TIER 2 ONLY AS NECESSARY TO
17 DETERMINE WHEN A RETIREMENT ALLOWANCE UNDER TIER 1 MAY BEGIN UNDER
18 THIS ACT, EXCEPT AS OTHERWISE PROVIDED IN SECTION 50A(7).

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

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

1 Sec. 27. (1) Except as provided in subsections (3), (4), and
2 (5), if a member dies as a result of a personal injury or disease
3 arising out of and in the course of his or her employment with the
4 state and the personal injury or disease resulting in death is
5 found by the retirement board to have been the sole and exclusive
6 result of employment with the state, the surviving spouse shall
7 receive a retirement allowance calculated as if the deceased member
8 had retired effective the day before the date of death, elected
9 option A under section 31(1), and nominated his or her spouse as
10 retirement allowance beneficiary. The retirement allowance shall be
11 calculated **UNDER SECTION 20(1)** based upon the amount of the
12 deceased member's credited service. If the deceased member does not
13 have the minimum number of years of credited service needed to vest
14 in the retirement system, the amount of service necessary to reach
15 that amount of credited service shall be granted.

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

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

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

1 (b) One-half to the surviving child or children under 21 years
2 of age, in equal shares. The retirement allowance payable to a
3 surviving child under this subsection shall terminate upon that
4 child's marriage, death, or becoming 21 years of age, whichever
5 occurs first. That child's share of the terminated retirement
6 allowance shall be redistributed among the remaining children under
7 21 years of age, if any. When there are no surviving children
8 entitled to a share of the retirement allowance under this
9 subsection, the children's share shall revert to the surviving
10 spouse.

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

21 (5) If the other requirements of subsection (1) are met and
22 neither a surviving spouse nor an eligible child surviving the
23 deceased member or duty disability retirant exists, a monthly
24 allowance shall be paid to 1 surviving dependent parent whom the
25 retirement board finds to be totally and permanently disabled and
26 to have been dependent upon the deceased member or retirant for at
27 least 50% of the parent's financial support. ~~The~~ **SUBJECT TO SECTION**

1 **20J, THE** allowance shall be computed in the same manner as if the
2 deceased member or retirant had retired for reasons of age and
3 service effective the day preceding the member's or retirant's
4 death, elected the option provided in section 31(1)(a), and
5 nominated the surviving parent as retirement allowance beneficiary.
6 The surviving parent's beneficiary retirement allowance shall
7 terminate upon marriage or death.

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

24 ~~—(2)—~~As used in this act **SUBSECTION**, "funding account" means
25 the appropriate irrevocable trust created in the public employee
26 retirement health care funding act, 2010 PA 77, MCL 38.2731 to
27 38.2747, for the deposit of funds and the payment of retirement

1 health care benefits.

2 ~~—— (3) The department of technology, management, and budget shall~~
3 ~~ensure, to the maximum extent possible, that payments made under~~
4 ~~this section shall be applied for any tax credits or tax liability~~
5 ~~reduction under the health care and education reconciliation act of~~
6 ~~2010, Public Law 111-152.~~

7 (2) ON OR BEFORE MAY 13, 2012, THE STATE OR THE RETIREMENT
8 SYSTEM SHALL REFUND TO MEMBERS, FORMER MEMBERS, QUALIFIED
9 PARTICIPANTS, AND FORMER QUALIFIED PARTICIPANTS WHO CONTRIBUTED
10 UNDER SUBSECTION (1) ALL AMOUNTS CONTRIBUTED UNDER SUBSECTION (1),
11 INCLUDING ANY ACTUAL INTEREST EARNED ON THOSE CONTRIBUTIONS WHILE
12 BEING HELD BY THIS STATE OR THE RETIREMENT SYSTEM. THE REFUND SHALL
13 BE INCLUDED IN A PAYROLL WARRANT ISSUED TO THAT MEMBER OR QUALIFIED
14 PARTICIPANT, OR IN A SEPARATE CHECK ISSUED TO THAT FORMER MEMBER OR
15 FORMER QUALIFIED PARTICIPANT. THE STATE OR THE RETIREMENT SYSTEM
16 SHALL PERMIT EACH MEMBER OR QUALIFIED PARTICIPANT WHO CONTRIBUTED
17 UNDER SUBSECTION (1) TO MAKE AN ELECTION BEFORE THE PAYMENT OF THE
18 REFUND TO DEFER HIS OR HER REFUND TO AN APPROPRIATE TAX-DEFERRED
19 ACCOUNT.

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

1 CONTRIBUTE ANY AMOUNT UNDER THIS SUBSECTION FOR ANY YEARS OF
2 CREDITED SERVICE ACCRUED OR COMPENSATION RECEIVED BEFORE APRIL 1,
3 2012.

4 (2) THE RETIREMENT SYSTEM AND STATE BUDGET DIRECTOR SHALL
5 DETERMINE A METHOD OF DEDUCTING THE CONTRIBUTIONS PROVIDED FOR IN
6 THIS SECTION FROM THE COMPENSATION OF EACH MEMBER FOR EACH PAYROLL
7 AND EACH PAYROLL PERIOD.

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

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

18 Sec. 38. (1) The annual level percent of payroll contribution
19 rate to finance the benefits provided under this act shall be
20 determined by actuarial valuation pursuant to subsections (2) and
21 (3), upon the basis of the risk assumptions adopted by the
22 retirement board with approval of the department of **TECHNOLOGY,**
23 management, and budget, and in consultation with the investment
24 counsel and the actuary. An annual actuarial valuation shall be
25 made of the retirement system in order to determine the actuarial
26 condition of the retirement system and the required contribution to
27 the retirement system. The actuary shall report to the legislature

1 by April 15 of each year on the actuarial condition of the
2 retirement system as of the end of the previous fiscal year and on
3 the projections of state contributions for the next fiscal year.
4 The actuary shall certify in the report that the techniques and
5 methodologies used are generally accepted within the actuarial
6 profession and that the assumptions and cost estimates used fall
7 within the range of reasonable and prudent assumptions and cost
8 estimates. An annual actuarial gain-loss experience study of the
9 retirement system shall be made in order to determine the financial
10 effect of variations of actual retirement system experience from
11 projected experience.

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

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

1 100% funded by the health advance funding subaccount created under
2 section 11(9), and continuing for each subsequent fiscal year, the
3 contribution rate for health benefits provided under section 20d
4 shall be computed using an individual projected benefit entry age
5 normal cost method of valuation. The contribution rate for service
6 that may be rendered in the current year, the normal cost
7 contribution rate, shall be equal to the aggregate amount of
8 individual entry age normal costs divided by 1% of the aggregate
9 amount of active members' valuation compensation. The unfunded
10 actuarial accrued liability shall be equal to the actuarial present
11 value of benefits reduced by the actuarial present value of future
12 normal cost contributions and the actuarial value of assets on the
13 valuation date. Except as otherwise provided in this subsection,
14 the unfunded actuarial accrued liability shall be amortized in
15 accordance with generally accepted governmental accounting
16 standards over a period equal to or less than 40 years, **WITH THE**
17 **PAYMENT SCHEDULE FOR THE EMPLOYER BEING BASED UPON AND APPLIED TO**
18 **THE COMBINED PAYROLLS OF THE EMPLOYEES WHO ARE MEMBERS AND**
19 **QUALIFIED PARTICIPANTS.** ~~For the fiscal year that begins on October~~
20 ~~1, 2006 only, the contribution for the unfunded actuarial accrued~~
21 ~~liability shall be equal to 4.5% of the unfunded actuarial accrued~~
22 ~~liability.~~

23 (4) The legislature annually shall appropriate to the
24 retirement system the amount determined pursuant to subsections (2)
25 and (3). The state treasurer shall transfer monthly to the
26 retirement system an amount equal to the product of the
27 contribution rates determined in subsections (2) and (3) times the

1 aggregate amount of active member **OR QUALIFIED PARTICIPANT**
2 compensation, **AS APPROPRIATE**, paid during that month. Not later
3 than 60 days after the termination of each state fiscal year, the
4 executive secretary of the retirement board shall certify to the
5 director of the department of **TECHNOLOGY**, management, and budget
6 the actual aggregate compensations paid to active members **AND**
7 **QUALIFIED PARTICIPANTS** during the preceding state fiscal year. Upon
8 receipt of that certification, the director of the department of
9 **TECHNOLOGY**, management, and budget shall compute the difference, if
10 any, between actual state contributions received during the
11 preceding state fiscal year and the product of the contribution
12 rates determined in subsections (2) and (3) times the aggregate
13 compensations paid to active members **OR QUALIFIED PARTICIPANTS, AS**
14 **APPROPRIATE**, during the preceding state fiscal year. Except as
15 otherwise provided in subsection (5), the difference, if any, shall
16 be submitted in the executive budget to the legislature for
17 appropriation in the next succeeding state fiscal year. This
18 subsection does not apply for those fiscal years in which a deposit
19 occurs pursuant to subsection (6).

20 (5) For differences occurring in fiscal years beginning on or
21 after October 1, 1991, a minimum of 20% of the difference between
22 the estimated and the actual aggregate compensation and the
23 estimated and the actual contribution rate described in subsection
24 (4), if any, may be submitted in the executive budget to the
25 legislature for appropriation in the next succeeding state fiscal
26 year and a minimum of 25% of the remaining difference shall be
27 submitted in the executive budget to the legislature for

1 appropriation in each of the following 4 state fiscal years, or
2 until 100% of the remaining difference is submitted, whichever
3 first occurs. In addition, interest shall be included for each year
4 that a portion of the remaining difference is carried forward. The
5 interest rate shall equal the actuarially assumed rate of
6 investment return for the state fiscal year in which payment is
7 made. This subsection does not apply for those fiscal years in
8 which a deposit occurs pursuant to subsection (6).

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

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

1 that fund and deposit that amount in that fund before it deposits
2 any remaining employer contributions or other eligible funds in the
3 pension fund.

4 Sec. 47. (1) Upon retirement as provided in section 46, a
5 supplemental member shall be paid a temporary straight life
6 supplemental early retirement allowance terminating upon the
7 supplemental member reaching age 62 years or his or her death,
8 whichever occurs first. Prior to the effective date of retirement,
9 the supplemental member may choose to be paid his or her retirement
10 allowance under an optional form of payment provided in section
11 31(1)(a). For the purposes of this election, the provisions of
12 section 31(1)(a) are modified to reflect the temporary nature of a
13 supplemental early retirement allowance.

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

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

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

25 (b) The member has 25 or more years of credited service, of
26 which 20 years of credited service are as a conservation officer
27 and of which the last 2 years of credited service are as a

1 conservation officer.

2 (2) A member who is a conservation officer may retire under
3 this section if the member has 25 or more years of credited
4 service, of which 23 years of credited service are as a
5 conservation officer and of which the last 2 years of credited
6 service are as a conservation officer.

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

18 (4) A member who is a conservation officer may retire under
19 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 is 50 years of age or older.

22 (c) The member has 10 years of credited service as a
23 conservation officer and the last 2 years of credited service are
24 as a conservation officer.

25 (5) A member may retire under subsection (4) upon written
26 application to the retirement board, on or after April 1, 1991, but
27 not later than April 1, 1992, stating a date on which he or she

1 desires to retire. The retirement allowance effective date shall be
2 on or after May 1, 1991 but not later than July 1, 1992. Beginning
3 on the retirement allowance effective date, he or she shall receive
4 a retirement allowance equal to 2% of the member's annual
5 compensation for the member's most highly compensated 24
6 consecutive months of service as a conservation officer times the
7 number of years, including any fraction of a year, of service
8 credited to the member under this act. However, a retirement
9 allowance payable under this subsection shall not exceed 60% of the
10 member's annual compensation for the member's most highly
11 compensated 24 consecutive months of service as a conservation
12 officer.

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

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

26 (8) If a member who retires under this section dies before
27 receiving payment of his or her retirement allowance in an

1 aggregate amount equal to the accumulated contributions standing to
2 the retirant's account in the employees' savings fund at the time
3 of his or her retirement, the difference between his or her
4 accumulated contributions and the amount of the retirement
5 allowance received by him or her shall be paid to the person or
6 persons that the retirant has nominated by written designation duly
7 executed and filed with the retirement board, or, if there is no
8 such designated person or persons surviving, then to the retirant's
9 legal representative or estate.

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

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

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

27 (2) The retirement system shall be administered in compliance

1 with the provisions of section 415 of the internal revenue code, 26
2 USC 415, and regulations under that section that are applicable to
3 governmental plans and beginning January 1, 2010, applicable
4 provisions of the final regulations issued by the internal revenue
5 service on April 5, 2007. Employer-financed benefits provided by
6 the retirement system under this act shall not exceed the
7 applicable limitations set forth in section 415 of the internal
8 revenue code, 26 USC 415, as adjusted by the commissioner of
9 internal revenue under section 415(d) of the internal revenue code,
10 26 USC 415, to reflect cost-of-living increases, and the retirement
11 system shall adjust the benefits, including benefits payable to
12 retirants and retirement allowance beneficiaries, subject to the
13 limitation each calendar year to conform with the adjusted
14 limitation. For purposes of section 415(b) of the internal revenue
15 code, 26 USC 415, the applicable limitation shall apply to
16 aggregated benefits received from all qualified pension plans for
17 which the office of retirement services coordinates administration
18 of that limitation. If there is a conflict between this section and
19 another section of this act, this section prevails.

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

27 (4) The retirement system shall return post-tax member

1 contributions made by a member and received by the retirement
2 system to a member upon retirement, pursuant to internal revenue
3 service regulations and approved internal revenue service exclusion
4 ratio tables.

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

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

22 (7) Notwithstanding any other provision of this act to the
23 contrary that would limit a distributee's election under this act,
24 a distributee may elect, at the time and in the manner prescribed
25 by the retirement board, to have any portion of an eligible
26 rollover distribution paid directly to an eligible retirement plan
27 specified by the distributee in a direct rollover. This subsection

1 applies to distributions made on or after January 1, 1993.
2 BEGINNING OCTOBER 1, 2010, A NONSPOUSE BENEFICIARY MAY ELECT TO
3 HAVE ANY PORTION OF AN AMOUNT PAYABLE UNDER THIS ACT THAT IS AN
4 ELIGIBLE ROLLOVER DISTRIBUTION TREATED AS A DIRECT ROLLOVER THAT
5 WILL BE PAID IN A DIRECT TRUSTEE-TO-TRUSTEE TRANSFER TO AN
6 INDIVIDUAL RETIREMENT ACCOUNT OR INDIVIDUAL RETIREMENT ANNUITY
7 DESCRIBED IN SECTION 408(A) OR (B) OF THE INTERNAL REVENUE CODE, 26
8 USC 408, THAT IS ESTABLISHED FOR THE PURPOSE OF RECEIVING A
9 DISTRIBUTION ON BEHALF OF THE BENEFICIARY AND THAT WILL BE TREATED
10 AS AN INHERITED INDIVIDUAL RETIREMENT ACCOUNT OR INDIVIDUAL
11 RETIREMENT ANNUITY PURSUANT TO SECTION 402(C)(11) OF THE INTERNAL
12 REVENUE CODE, 26 USC 402.

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

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

25 (10) Notwithstanding any other provision of this act **TO THE**
26 **CONTRARY**, contributions, benefits, and service credit with respect
27 to qualified military service will be provided under the retirement

1 system in accordance with section 414(u) of the internal revenue
2 code, 26 USC 414. This subsection applies to all qualified military
3 service on or after December 12, 1994. Beginning on January 1,
4 2007, in accordance with section 401(a)(37) of the internal revenue
5 code, 26 USC 401, if a member dies while performing qualified
6 military service for purposes of determining death benefits payable
7 under this act, the member shall be treated as having resumed and
8 then terminated employment because of death.

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

21 (a) Cease to be a member of Tier 1 effective 12 midnight May
22 31, 1998.

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

25 (c) Except as otherwise provided in this subdivision, waive
26 all of his or her rights to a pension, an annuity, a retirement
27 allowance, an insurance benefit, or any other benefit under this

1 act effective 12 midnight May 31, 1998. This subdivision does not
2 affect a person's right to health benefits provided under this act
3 pursuant to section 68.

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

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

23 (b) Become a former qualified participant in Tier 2 effective
24 12:01 a.m. on the day immediately following the date described in
25 subdivision (a).

26 (c) Except as otherwise provided in this subdivision, waive
27 all of his or her rights to a pension, an annuity, a retirement

1 allowance, an insurance benefit, or any other benefit under Tier 1
2 effective 12 midnight on the date described in subdivision (a).
3 This subdivision does not affect an individual's right to health
4 benefits provided under this act pursuant to section 68.

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

27 (a) Cease to be a member of Tier 1 effective 12 midnight on

1 the last day of the payroll period that includes the date of the
2 election.

3 (b) Become a qualified participant in Tier 2 effective 12:01
4 a.m. on the first day of the payroll period immediately following
5 the date of the election.

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

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

23 (5) An election under this section is subject to the eligible
24 domestic relations order act, ~~Act No. 46 of the Public Acts of~~
25 ~~1991, being sections 38.1701 to 38.1711 of the Michigan Compiled~~
26 ~~Laws-1991 PA 46, MCL 38.1701 TO 38.1711.~~

27 (6) If an individual who was a deferred member of the public

1 school employees retirement system on March 30, 1997 is first
2 employed and entered upon the payroll of his or her employer on or
3 after March 31, 1997 **AND BEFORE JANUARY 1, 2012**, the retirement
4 system shall provide an opportunity for that individual to elect in
5 writing to become a member of Tier 1 or to become a qualified
6 participant of Tier 2. The retirement system and the individual
7 shall follow the provisions and procedures provided in this section
8 and by the state treasurer as if the individual were a deferred
9 member of this retirement system on March 30, 1997.

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

16 (8) **THIS SECTION DOES NOT APPLY TO A DEFERRED MEMBER OR FORMER**
17 **NONVESTED MEMBER UNDER SUBSECTION (3) OR A DEFERRED MEMBER OF THE**
18 **PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM UNDER SUBSECTION (6) ON**
19 **OR AFTER JANUARY 1, 2012.**

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

27 (2) **AS PART OF THE ELECTION UNDER SUBSECTION (1), THE**

1 RETIREMENT SYSTEM SHALL PERMIT THE MEMBER TO MAKE A DESIGNATION
2 THAT THE CONTRIBUTIONS PRESCRIBED IN SECTION 35A SHALL BE PAID ONLY
3 UNTIL THE MEMBER'S ATTAINMENT DATE. A MEMBER WHO MAKES THE ELECTION
4 UNDER SUBSECTION (1) AND WHO MAKES THE DESIGNATION UNDER THIS
5 SUBSECTION SHALL MAKE THE CONTRIBUTIONS PRESCRIBED IN SECTION 35A
6 ONLY UNTIL THE MEMBER'S ATTAINMENT DATE. A MEMBER WHO MAKES THE
7 ELECTION UNDER SUBSECTION (1) AND WHO DOES NOT MAKE THE DESIGNATION
8 OR RESCINDS THE DESIGNATION UNDER THIS SUBSECTION SHALL MAKE THE
9 CONTRIBUTIONS PRESCRIBED IN SECTION 35A UNTIL TERMINATION OF
10 EMPLOYMENT.

11 (3) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD OF
12 ACCEPTING MEMBER ELECTIONS AND DESIGNATIONS UNDER THIS SECTION. THE
13 RETIREMENT SYSTEM SHALL ACCEPT ELECTIONS AND DESIGNATIONS UNDER
14 THIS SECTION FROM MEMBERS DURING AN ELECTION PERIOD THAT BEGINS ON
15 JANUARY 3, 2012 AND ENDS AT 5 P.M. EASTERN STANDARD TIME ON MARCH
16 2, 2012. A MEMBER MAY RESCIND AN ELECTION OR DESIGNATION ON OR
17 BEFORE THE CLOSE OF THE ELECTION PERIOD. AN ELECTION OR DESIGNATION
18 MADE BY A MEMBER AND NOT RESCINDED ON OR BEFORE THE CLOSE OF THE
19 ELECTION PERIOD SHALL NOT BE RESCINDED.

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

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

27 (B) HE OR SHE BECOMES A QUALIFIED PARTICIPANT IN TIER 2

1 BEGINNING 12:01 A.M. ON APRIL 1, 2012.

2 (C) HE OR SHE SHALL RECEIVE A RETIREMENT ALLOWANCE CALCULATED
3 UNDER SECTION 20 THAT IS BASED ONLY ON CREDITED SERVICE AND
4 COMPENSATION ALLOWED UNDER SECTION 20J(1) AND (2). THIS SUBDIVISION
5 DOES NOT AFFECT A PERSON'S RIGHT TO HEALTH INSURANCE COVERAGE
6 PROVIDED UNDER SECTION 20D OR CREDIT FOR SERVICE PROVIDED UNDER
7 SECTION 20J(3).

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

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

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

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

25 (6) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A
26 DEFERRED MEMBER WHO IS REEMPLOYED ON OR AFTER JANUARY 1, 2012 SHALL
27 BE TREATED IN THE SAME MANNER AS A MEMBER UNDER SECTION 20J WHO DID

1 NOT MAKE THE ELECTION UNDER THIS SECTION AND SHALL BECOME A
2 QUALIFIED PARTICIPANT IN TIER 2. HOWEVER, A DEFERRED MEMBER WHO,
3 WHILE A MEMBER, MADE THE ELECTION UNDER THIS SECTION SHALL HAVE THE
4 CREDITED SERVICE ACCRUED AND COMPENSATION RECEIVED DURING THE TIME
5 HE OR SHE MADE THE CONTRIBUTIONS UNDER SECTION 35A INCLUDED IN THE
6 CALCULATION OF A RETIREMENT ALLOWANCE UNDER THIS ACT.

7 (7) A FORMER NONVESTED MEMBER WHO IS REEMPLOYED ON OR AFTER
8 JANUARY 1, 2012 IS NOT ELIGIBLE FOR MEMBERSHIP IN TIER 1, SHALL
9 BECOME A QUALIFIED PARTICIPANT IN TIER 2, AND SHALL BE TREATED AS
10 BEING FIRST EMPLOYED BY THIS STATE AS OF HIS OR HER DATE OF
11 REEMPLOYMENT.

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

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

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

22 (2) "Qualified participant" means an individual who is a
23 participant of Tier 2 and who meets 1 of the following
24 requirements:

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

1 of Tier 1.

2 (b) ~~An individual who elects~~ **ELECTS** to terminate membership in
3 Tier 1 and ~~who elects~~ to participate in Tier 2 in the manner
4 prescribed in section 50.

5 (c) ~~An individual who is~~ **IS** an adjutant general or an
6 assistant adjutant general under the Michigan military act, 1967 PA
7 150, MCL 32.501 to 32.851, and who is first employed as an adjutant
8 general or assistant adjutant general on or after January 1, 2011.

9 (D) **WAS A MEMBER WHO DID NOT MAKE THE ELECTION UNDER SECTION**
10 **50A.**

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

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

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

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

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

1 DESCRIBED IN SECTION 68B(11).

2 (6) ~~(5)~~—Except as otherwise provided in this subsection, "year
3 of service" means each period during which a qualified participant
4 is employed by the employer and is credited with 2,080 hours of
5 service. The Tier 2 plan administrator and the plan document may
6 provide for a lesser number of annual hours and a maximum number of
7 hours per pay period for any classification of employees, provided
8 that no participant shall receive credit for more than 1 year of
9 service for any 12-month period of employment. Beginning January 1,
10 2003, full service credit shall also be given to a participant for
11 furlough hours, for required 1-day layoffs, for required and
12 designated temporary layoffs, for a year in which a participant
13 temporarily leaves employment to enter active military duty and
14 then dies during that active military duty, and for participation
15 in the banked leave time program. In the event a terminated
16 participant is reemployed, such individual shall retain credit for
17 all full and partial years of service completed prior to such
18 reemployment, for purposes of determining his or her vesting
19 percentage in any employer contributions made pursuant to section
20 63(2) and (3) after his or her reemployment.

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

23 (A) ON OR BEFORE APRIL 1, 2012, THE RETIREMENT SYSTEM SHALL
24 DESIGN AND IMPLEMENT AN AUTOMATIC ENROLLMENT FEATURE FOR EMPLOYEE
25 CONTRIBUTIONS.

26 (B) IN ADDITION TO CONTRIBUTIONS TO TIER 2 OR A TAX-DEFERRED
27 ACCOUNT, THE STATE MAY USE ELECTIVE EMPLOYEE CONTRIBUTIONS TO THE

1 STATE 457 DEFERRED COMPENSATION PLAN AS A BASIS FOR MAKING EMPLOYER
2 MATCHING CONTRIBUTIONS TO TIER 2 OR A TAX-DEFERRED ACCOUNT.

3 (C) EMPLOYER MATCHING CONTRIBUTIONS DO NOT HAVE TO BE MADE TO
4 THE SAME PLAN OR ACCOUNT TO WHICH THE ELECTIVE EMPLOYEE
5 CONTRIBUTIONS WERE CONTRIBUTED AS THE BASES FOR THE MATCHING
6 CONTRIBUTIONS.

7 (D) ELECTIVE EMPLOYEE CONTRIBUTIONS SHALL NOT BE USED AS THE
8 BASIS FOR MORE THAN EQUIVALENT AMOUNT OF EMPLOYER MATCHING
9 CONTRIBUTIONS.

10 (E) THE RETIREMENT SYSTEM SHALL DESIGN AND IMPLEMENT A METHOD
11 TO DETERMINE THE PROPER ALLOCATION OF EMPLOYER MATCHING
12 CONTRIBUTIONS BASED ON ELECTIVE EMPLOYEE CONTRIBUTIONS AS PROVIDED
13 IN THIS SECTION.

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

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

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

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

23 (2) A qualified participant is ~~vested in~~ **ELIGIBLE FOR** the
24 health insurance coverage provided in section 68 if the qualified
25 participant meets 1 of the following requirements:

26 (a) The qualified participant has completed 10 years of
27 service as a qualified participant, ~~and~~ was not a member, deferred

1 member, or former nonvested member of Tier 1, **WAS FIRST EMPLOYED**
2 **AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER BEFORE JANUARY**
3 **1, 2012, AND DID NOT MAKE AN ELECTION TO OPT OUT OF HEALTH**
4 **INSURANCE COVERAGE UNDER SECTION 68B.**

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

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

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

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

26 (b) The retirement board finds that the qualified
27 participant's personal injury or disease is the natural and

1 proximate result of the qualified participant's performance of
2 duty.

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

9 (d) The retirement board concurs in the recommendation of the
10 medical advisor.

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

19 (3) If a qualified participant dies as a result of a personal
20 injury or disease arising out of and in the course of his or her
21 employment with this state, or if a former qualified participant
22 who retired under subsection (1) who dies before becoming age 60
23 and within 3 years after the former qualified participant's
24 disability retirement from the same causes from which he or she
25 separated, and such death or illness or injuries resulting in death
26 are found by the retirement board to have been the sole and
27 exclusive result of employment with this state, a supplemental

1 benefit shall be granted equivalent to the amount provided for in
2 section 27 had the former qualified participant been considered
3 retired under section 27, which supplemental benefit shall be
4 offset by the value of the distribution of his or her accumulated
5 balance upon becoming a former qualified participant pursuant to
6 section 67.

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

13 (5) Except as otherwise provided in **THIS SECTION OR** section
14 33, a qualified participant who becomes totally incapacitated for
15 duty because of a personal injury or disease that is not the
16 natural and proximate result of the qualified participant's
17 performance of duty may be retired if all of the following apply:

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

25 (b) A medical advisor conducts a medical examination of the
26 qualified participant and certifies in writing that the qualified
27 participant is mentally or physically totally incapacitated for

1 further performance of duty, that the incapacitation is likely to
2 be permanent, and that the qualified participant should be retired.

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

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

13 (7) ~~IF~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, IF** a
14 qualified participant who has been a state employee for the number
15 of years necessary to vest under Tier 1 dies as a result of causes
16 occurring not in the performance of duty to this state, a
17 supplemental benefit shall be granted equivalent to the amount
18 provided for in section 25 had the former qualified participant
19 been considered retired under section 24, 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 (8) A qualified participant, former qualified participant, or
24 beneficiary of a deceased participant, which participant is
25 eligible for a disability retirement allowance pursuant to
26 subsection ~~(4) or~~ (5), **(6), OR (7)** is eligible for health insurance
27 coverage under section 20d in all respects and under the same terms

1 as would be a retirant and his or her beneficiaries under Tier 1.

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

5 (10) SUBSECTIONS (4) AND (8) DO NOT APPLY TO A QUALIFIED
6 PARTICIPANT OR FORMER QUALIFIED PARTICIPANT WHO WAS FIRST EMPLOYED
7 AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER
8 JANUARY 1, 2012 OR WHO MADE THE ELECTION TO OPT OUT OF HEALTH
9 INSURANCE COVERAGE UNDER SECTION 68B.

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

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

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

21 (2) A former qualified participant who is eligible to elect
22 health insurance coverage under subsection (1) may elect health
23 insurance coverage in a health benefit plan or plans as authorized
24 by section 20d. A former qualified participant who is eligible to
25 elect health insurance coverage under subsection (1) may also elect
26 health insurance coverage for his or her health benefit dependents,
27 if any. A surviving health benefit dependent of a deceased former

1 qualified participant who is eligible to elect health insurance
2 coverage under subsection (1) may elect health insurance coverage
3 in the manner prescribed in this section.

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

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

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

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

1 the state shall transfer its portion of the amount calculated under
2 this subsection to the health insurance reserve fund created by
3 section 11.

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

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

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

21 **(9) THIS SECTION DOES NOT APPLY TO A QUALIFIED PARTICIPANT OR**
22 **FORMER QUALIFIED PARTICIPANT WHO WAS FIRST EMPLOYED AND ENTERED**
23 **UPON THE PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JANUARY 1, 2012**
24 **OR WHO MADE THE ELECTION TO OPT OUT OF HEALTH INSURANCE COVERAGE**
25 **UNDER SECTION 68B.**

26 **SEC. 68B. (1) A QUALIFIED PARTICIPANT OR FORMER QUALIFIED**
27 **PARTICIPANT WHO WAS FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF**

1 HIS OR HER EMPLOYER ON OR AFTER JANUARY 1, 2012 OR WHO MADE THE
2 ELECTION IN SUBSECTION (5) SHALL NOT RECEIVE ANY HEALTH INSURANCE
3 COVERAGE PREMIUM FROM THIS STATE. IN LIEU OF ANY HEALTH INSURANCE
4 COVERAGE PREMIUM THAT MIGHT HAVE BEEN PAID BY THIS STATE UNDER
5 SECTION 68, A QUALIFIED PARTICIPANT'S EMPLOYER SHALL MAKE A
6 MATCHING CONTRIBUTION UP TO 2% OF THE QUALIFIED PARTICIPANT'S
7 COMPENSATION TO AN APPROPRIATE TAX-DEFERRED ACCOUNT FOR EACH
8 QUALIFIED PARTICIPANT WHO WAS FIRST EMPLOYED AND ENTERED UPON THE
9 PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JANUARY 1, 2012 OR WHO
10 MADE THE ELECTION IN SUBSECTION (5).

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

16 (3) A QUALIFIED PARTICIPANT IS VESTED IN CONTRIBUTIONS MADE TO
17 HIS OR HER TAX-DEFERRED ACCOUNT UNDER SUBSECTIONS (1) AND (2)
18 ACCORDING TO THE VESTING PROVISIONS UNDER SECTION 64.

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

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

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

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

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

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

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

25 (6) IN LIEU OF ANY HEALTH INSURANCE COVERAGE PREMIUM THAT
26 MIGHT HAVE BEEN PAID BY THIS STATE UNDER SECTION 68, THE RETIREMENT
27 SYSTEM SHALL CALCULATE AN AMOUNT TO BE CREDITED AT TERMINATION TO

1 AN APPROPRIATE TAX-DEFERRED ACCOUNT FOR EACH QUALIFIED PARTICIPANT
2 WHO MAKES THE ELECTION UNDER SUBSECTION (5). THE AMOUNT DESCRIBED
3 IN THIS SUBSECTION SHALL BE AN AMOUNT CALCULATED TO APPROXIMATE THE
4 ACTUARIAL PRESENT VALUE AS OF 12 MIDNIGHT MARCH 31, 2012 OF THE
5 PROJECTED RETIRANT HEALTH BENEFITS BASED ON THE CURRENT BENEFIT
6 STRUCTURE UNDER SECTION 68 AND THE QUALIFIED PARTICIPANT'S YEARS OF
7 SERVICE AS OF MARCH 31, 2012. THE AMOUNT CALCULATED UNDER THIS
8 SUBSECTION SHALL BE EQUAL TO THE PRODUCT OF ALL OF THE FOLLOWING AS
9 DETERMINED BY THE RETIREMENT SYSTEM IN CONSULTATION WITH THE
10 ACTUARY FOR THE SYSTEM:

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

15 (B) A FROZEN BENEFIT ACCRUAL PERCENT THAT IS THE PRODUCT OF 3%
16 AND THE QUALIFIED PARTICIPANT'S YEARS OF SERVICE AS OF MARCH 31,
17 2012, UP TO 30 YEARS.

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

22 (i) AN INTEREST DISCOUNT RATE OF 4% ANNUALLY FOR ALL FUTURE
23 YEARS, WHICH APPROXIMATES THE USE OF AN ASSUMED RATE OF INVESTMENT
24 RETURN OR INTEREST DISCOUNT RATE OF 8%, COMBINED WITH AN ASSUMPTION
25 THAT THE AVERAGE PREMIUM IS PROJECTED TO INCREASE 4% ANNUALLY FOR
26 ALL FUTURE YEARS.

27 (ii) MORTALITY RATES BASED ON A 50% MALE - 50% FEMALE BLEND OF

1 THE 1994 GROUP ANNUITY MORTALITY TABLE SET FORWARD 1 YEAR FOR BOTH
2 MALES AND FEMALES.

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

8 (7) THE AMOUNT CALCULATED UNDER SUBSECTION (6) SHALL BE
9 ADJUSTED ANNUALLY FROM MARCH 31, 2012 TO THE DATE OF THE QUALIFIED
10 PARTICIPANT'S ACTUAL TERMINATION OF EMPLOYMENT. EXCEPT AS OTHERWISE
11 PROVIDED IN THIS SUBSECTION, THE RETIREMENT SYSTEM SHALL ESTABLISH
12 THE AMOUNT OF THE ANNUAL ADJUSTMENT TO BE EQUAL TO THE CHANGE IN
13 THE MEDICAL CARE COMPONENT OF THE UNITED STATES CONSUMER PRICE
14 INDEX FOR THE MOST RECENT 12-MONTH PERIOD FOR WHICH DATA ARE
15 AVAILABLE FROM THE BUREAU OF LABOR STATISTICS OF THE UNITED STATES
16 DEPARTMENT OF LABOR. THE ADJUSTMENT UNDER THIS SUBSECTION SHALL NOT
17 BE LESS THAN 0% AND SHALL NOT BE MORE THAN 4%.

18 (8) THE AMOUNT CALCULATED UNDER SUBSECTION (6) AND ADJUSTED
19 UNDER SUBSECTION (7) SHALL BE CREDITED AT THE QUALIFIED
20 PARTICIPANT'S FIRST TERMINATION OF EMPLOYMENT FOLLOWING DECEMBER
21 31, 2011, TO THE QUALIFIED PARTICIPANT'S TAX-DEFERRED ACCOUNT
22 ACCORDING TO THE FOLLOWING SCHEDULE:

23 (A) ONE HUNDRED PERCENT OF THE CALCULATED AMOUNT TO A
24 QUALIFIED PARTICIPANT WHO IS AT LEAST 60 YEARS OF AGE WITH AT LEAST
25 10 YEARS OF SERVICE OR IS AT LEAST 55 YEARS OF AGE WITH AT LEAST 30
26 YEARS OF SERVICE.

27 (B) FIFTY PERCENT OF THE CALCULATED AMOUNT TO A QUALIFIED

1 PARTICIPANT WHO HAS AT LEAST 10 YEARS OF SERVICE AND WHO DOES NOT
2 MEET THE AGE AND SERVICE QUALIFICATIONS OF SUBDIVISION (A).

3 (9) A FORMER QUALIFIED PARTICIPANT WHO HAS 10 YEARS OF SERVICE
4 AS OF DECEMBER 31, 2011 AND WHO IS REEMPLOYED BY THIS STATE ON OR
5 AFTER JANUARY 1, 2012 SHALL BE TREATED IN THE SAME MANNER AS A
6 QUALIFIED PARTICIPANT UNDER THIS SECTION WHO MADE THE ELECTION
7 UNDER SUBSECTION (5) AND SHALL RECEIVE AN AMOUNT, IF ANY, AS
8 DETERMINED UNDER THIS SECTION. THIS SUBSECTION DOES NOT APPLY TO
9 ANY OF THE FOLLOWING:

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

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

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

16 (10) IN LIEU OF ANY OTHER HEALTH INSURANCE COVERAGE THAT MIGHT
17 HAVE BEEN PAID BY THIS STATE, A CREDIT TO A HEALTH REIMBURSEMENT
18 ACCOUNT WITHIN THE TRUST CREATED UNDER THE PUBLIC EMPLOYEE
19 RETIREMENT HEALTH CARE FUNDING ACT, 2010 PA 77, MCL 38.2731 TO
20 38.2747, SHALL BE MADE BY THIS STATE IN THE AMOUNTS AND TO THE
21 QUALIFIED PARTICIPANTS OR FORMER QUALIFIED PARTICIPANTS AS FOLLOWS:

22 (A) TWO THOUSAND DOLLARS TO A QUALIFIED PARTICIPANT WHO WAS
23 FIRST EMPLOYED AND ENTERED UPON THE PAYROLL OF HIS OR HER EMPLOYER
24 ON OR AFTER JANUARY 1, 2012, WHO IS 60 YEARS OF AGE OR OLDER, AND
25 WHO HAS AT LEAST 10 YEARS OF SERVICE AT HIS OR HER FIRST
26 TERMINATION OF EMPLOYMENT.

27 (B) ONE 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 LESS THAN 60 YEARS OF AGE, AND
3 WHO HAS AT LEAST 10 YEARS OF SERVICE AT HIS OR HER FIRST
4 TERMINATION OF EMPLOYMENT.

5 (C) TWO THOUSAND DOLLARS TO A FORMER QUALIFIED PARTICIPANT WHO
6 HAS LESS THAN 10 YEARS OF SERVICE AS OF DECEMBER 31, 2011, WHO IS
7 REEMPLOYED BY THIS STATE ON OR AFTER JANUARY 1, 2012, WHO IS 60
8 YEARS OF AGE OR OLDER, AND WHO HAS AT LEAST 10 YEARS OF SERVICE AT
9 HIS OR HER FIRST TERMINATION OF EMPLOYMENT FOLLOWING DECEMBER 31,
10 2011.

11 (D) ONE THOUSAND DOLLARS TO A FORMER QUALIFIED PARTICIPANT WHO
12 HAS LESS THAN 10 YEARS OF SERVICE AS OF DECEMBER 31, 2011, WHO IS
13 REEMPLOYED BY THIS STATE ON OR AFTER JANUARY 1, 2012, WHO IS LESS
14 THAN 60 YEARS OF AGE, AND WHO HAS AT LEAST 10 YEARS OF SERVICE AT
15 HIS OR HER FIRST TERMINATION OF EMPLOYMENT FOLLOWING DECEMBER 31,
16 2011.

17 (11) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD TO
18 IMPLEMENT SUBSECTIONS (5) TO (10), INCLUDING A METHOD FOR CREDITING
19 THE AMOUNTS IN SUBSECTION (8) TO COMPLY WITH ANY CONTRIBUTION
20 LIMITS IMPOSED BY THE INTERNAL REVENUE CODE, INCLUDING, BUT NOT
21 LIMITED TO, CREDITING OF PAYMENTS BEFORE TERMINATION OF EMPLOYMENT.

22 (12) ON OR BEFORE JANUARY 1, 2017, THE RETIREMENT SYSTEM SHALL
23 PROVIDE A REPORT TO THE CHAIR OF THE HOUSE AND SENATE
24 APPROPRIATIONS COMMITTEES THAT PROVIDES THE PROJECTED IMPACT OF
25 SUBSECTION (10) AS IT APPLIES TO QUALIFIED PARTICIPANTS ENTERED
26 UPON THE PAYROLL OF THIS STATE ON OR AFTER JANUARY 1, 2017 WITH
27 REGARD TO THE ANNUAL REQUIRED CONTRIBUTION AS USED BY THE

1 GOVERNMENTAL ACCOUNTING STANDARDS BOARD AND FOR PURPOSES OF THE
2 ANNUAL FINANCIAL STATEMENTS PREPARED UNDER SECTION 12(1).

3 Sec. 68c. (1) Except as otherwise provided in this section, a
4 retirant who is receiving a retirement allowance under this act and
5 is employed by this state beginning on or after October 2, 2007
6 agrees to forfeit his or her right to receive that retirement
7 allowance during this period of state employment. The retirement
8 system shall cease payment of the retirement allowance to a
9 retirant described in this subsection during this period of state
10 employment and shall reinstate payment of the retirement allowance
11 without recalculation when the period of state employment ceases.
12 This subsection does not apply to a retirant who is **DIRECTLY OR**
13 **INDIRECTLY** employed by this state on October 1, 2007 so long as he
14 or she remains in the position held by the retirant on October 1,
15 2007. As used in this subsection, "employed by this state" means
16 employed directly by this state as an employee, ~~or~~ indirectly by
17 this state through a contractual arrangement with other parties, ~~-~~
18 ~~Beginning after October 1, 2010, "employed by this state" shall~~
19 ~~also include~~ **OR BY** engagement **OF THE RETIRANT** by ~~the~~ **THIS** state as
20 an independent contractor. This subsection does not apply to a
21 retirant who is engaged as an independent contractor on October 1,
22 2010 so long as the retirant remains engaged in the same contract
23 that was held by the retirant on October 1, 2010 without amendment
24 or extension.

25 (2) A hospital, medical-surgical, and sick care benefits plan,
26 dental plan, vision plan, and hearing plan that covers retirants,
27 retirant allowance beneficiaries, former qualified participants,

1 and health benefit dependents under this act shall contain a
2 coordination of benefits provision that provides all of the
3 following:

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

7 (b) If a person covered under any of the plans provided by
8 this act is also covered under another plan that contains a
9 coordination of benefits provision, the benefits shall be
10 coordinated as provided in the coordination of benefits act, 1984
11 PA 64, MCL 550.251 to 550.255.

12 (c) If the person covered under any of the plans provided by
13 this act is also covered under another plan that does not contain a
14 coordination of benefits provision, the benefits under the other
15 plan shall be determined before the benefits provided pursuant to
16 this act.

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

19 (a) The retirant is hired to provide health care services to
20 individuals under the jurisdiction of the department of
21 corrections.

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

24 (c) The department of corrections provides written notice to
25 the state budget office and the department of technology,
26 management, and budget that attempts have been made to fill the
27 position through postings and recruitment and that the position

1 vacancy still exists.

2 (d) The department of corrections reports the employment of a
3 retirant under this subsection within 30 days of employment of the
4 retirant to the state budget office and the department of
5 technology, management, and budget. The report shall include the
6 name of the retirant, the capacity in which the retirant is
7 employed, and the total compensation paid to the retirant.

8 (4) Subsection (1) does not apply to the appointment of a
9 retirant who was an assistant attorney general as a special
10 assistant attorney general ~~when~~ **IF** the attorney general determines
11 that, as a result of his or her previous employment with the state,
12 the retirant possesses specialized expertise and experience
13 necessary for the appointment and that the appointment is the most
14 cost-effective option for this state.

15 **SEC. 68E. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR ENDING**
16 **SEPTEMBER 30, 2012 \$1,900,000.00 TO THE OFFICE OF RETIREMENT**
17 **SERVICES IN THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT, AND BUDGET**
18 **FOR ADMINISTRATION OF THE CHANGES UNDER THE AMENDATORY ACT THAT**
19 **ADDED THIS SECTION.**

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

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

27 (B) THE WORK PROJECT WILL BE ACCOMPLISHED THROUGH A PLAN

1 UTILIZING INTERAGENCY AGREEMENTS, EMPLOYEES, AND CONTRACTS.

2 (C) THE TOTAL ESTIMATED COMPLETION COST OF THE WORK PROJECT IS
3 \$1,900,000.00.

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

6 Enacting section 1. If the office of retirement services in
7 the department of technology, management, and budget receives
8 notification from the United States internal revenue service that
9 any section or any portion of a section of this amendatory act will
10 cause the retirement system to be disqualified for tax purposes
11 under the internal revenue code, then the portion that will cause
12 the disqualification does not apply.

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