

SENATE BILL No. 408

June 7, 2011, Introduced by Senator KAHN and referred to the Committee on Appropriations.

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, 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,

1 1988, pursuant to section 5 of article XI of the state constitution
2 of 1963.

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

8 **(G) PAYMENT FOR OVERTIME SERVICES RENDERED ON OR AFTER OCTOBER**
9 **1, 2011.**

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

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

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

26 (2) Pursuant to rules promulgated by the retirement board, a
27 member who retires before becoming 65 years of age may elect to

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

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

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

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

1 advantages due under that option.

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

27 (6) A retirant or the beneficiary of a retirant who retired

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

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

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

1 10 years of credited service who vested on the same date.

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

11 SEC. 20J. (1) BEGINNING OCTOBER 1, 2011, THE CALCULATION OF A
12 RETIREMENT ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO DID NOT MAKE
13 THE ELECTION UNDER SECTION 50A SHALL INCLUDE ONLY THE FOLLOWING
14 ITEMS OF CREDITED SERVICE, AS APPLICABLE:

15 (A) THE YEARS AND FRACTION OF A YEAR OF CREDITED SERVICE
16 ACCRUED TO THAT MEMBER BEFORE OCTOBER 1, 2011.

17 (B) CREDIT FOR YEARS OF SERVICE UNDER SECTION 49(10).

18 (C) SERVICE CREDIT THAT WAS PURCHASED BEFORE OCTOBER 1, 2011.

19 (D) SERVICE CREDIT THAT IS PURCHASED UNDER A PAYMENT PLAN
20 PURSUANT TO THIS ACT THAT WAS IN EFFECT AS OF SEPTEMBER 30, 2011.

21 (2) BEGINNING OCTOBER 1, 2011, THE CALCULATION OF A RETIREMENT
22 ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO DID NOT MAKE THE ELECTION
23 UNDER SECTION 50A SHALL INCLUDE ONLY THE FOLLOWING ITEMS OF
24 COMPENSATION:

25 (A) COMPENSATION RECEIVED BY THE MEMBER BEFORE OCTOBER 1,
26 2011.

27 (B) UP TO 240 HOURS OF ACCRUED ANNUAL LEAVE PAID AT SEPARATION

1 MULTIPLIED BY THE HOURLY RATE OF PAY FOR THE MEMBER AS OF SEPTEMBER
2 30, 2011, WHICH FOR PURPOSES OF FINAL AVERAGE COMPENSATION SHALL BE
3 TREATED AS BEING PAID ON SEPTEMBER 30, 2011.

4 (3) BEGINNING ON OCTOBER 1, 2011, A MEMBER WHO DID NOT MAKE
5 THE ELECTION UNDER SECTION 50A SHALL CONTINUE TO ACCUMULATE YEARS
6 OF SERVICE CREDIT AFTER BECOMING A QUALIFIED PARTICIPANT IN TIER 2
7 ONLY AS NECESSARY FOR THE PURPOSE OF VESTING IN A RETIREMENT
8 ALLOWANCE AND TO DETERMINE WHEN A RETIREMENT ALLOWANCE UNDER TIER 1
9 MAY BEGIN UNDER THIS ACT, EXCEPT AS OTHERWISE PROVIDED IN SECTION
10 50A(7).

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

16 (5) BEGINNING OCTOBER 1, 2011, THE CALCULATION OF A RETIREMENT
17 ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO MAKES THE ELECTION UNDER
18 SECTION 50A(1) AND THE DESIGNATION UNDER SECTION 50A(2) SHALL
19 INCLUDE ONLY THE FOLLOWING ITEMS OF CREDITED SERVICE, AS
20 APPLICABLE:

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

23 (B) CREDIT FOR YEARS OF SERVICE UNDER SECTION 49(10).

24 (C) SERVICE CREDIT THAT WAS PURCHASED ON OR BEFORE THE
25 ATTAINMENT DATE.

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

1 (6) BEGINNING OCTOBER 1, 2011, THE CALCULATION OF A RETIREMENT
2 ALLOWANCE UNDER THIS ACT FOR A MEMBER WHO MAKES THE ELECTION UNDER
3 SECTION 50A(1) AND THE DESIGNATION UNDER SECTION 50A(2) SHALL
4 INCLUDE ONLY THE FOLLOWING ITEMS OF COMPENSATION:

5 (A) COMPENSATION RECEIVED BY THE MEMBER ON OR BEFORE THE
6 ATTAINMENT DATE.

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

11 (7) BEGINNING ON OCTOBER 1, 2011, A MEMBER WHO MAKES THE
12 ELECTION UNDER SECTION 50A(1) AND THE DESIGNATION UNDER SECTION
13 50A(2) SHALL CONTINUE TO ACCUMULATE YEARS OF SERVICE CREDIT AFTER
14 BECOMING A QUALIFIED PARTICIPANT IN TIER 2 ONLY AS NECESSARY TO
15 DETERMINE WHEN A RETIREMENT ALLOWANCE UNDER TIER 1 MAY BEGIN UNDER
16 THIS ACT, EXCEPT AS OTHERWISE PROVIDED IN SECTION 50A(7).

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

22 (9) AS USED IN THIS SECTION, "ATTAINMENT DATE" MEANS THE DATE
23 THE MEMBER ATTAINS 30 YEARS OF CREDITED SERVICE OR THE DATE THE
24 MEMBER TERMINATES EMPLOYMENT, WHICHEVER FIRST OCCURS.

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

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

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

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

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

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

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

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

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

1 death, elected the option provided in section 31(1)(a), and
2 nominated the surviving parent as retirement allowance beneficiary.
3 The surviving parent's beneficiary retirement allowance shall
4 terminate upon marriage or death.

5 Sec. 35. (1) Except as otherwise provided in this section,
6 beginning with the first pay date after November 1, 2010 and ending
7 September 30, 2013, each member and each qualified participant
8 shall contribute an amount equal to 3.0% of the member's or
9 qualified participant's compensation to the appropriate funding
10 account established under the public employee retirement health
11 care funding act, 2010 PA 77, MCL 38.2731 to 38.2747. The member
12 and qualified participant contributions shall be deducted by the
13 employer and remitted as employer contributions to the funding
14 account in a manner that the state budget office and the retirement
15 system shall determine. The state budget office and the retirement
16 system shall determine a method of deducting the contributions
17 provided for in this section from the compensation of each member
18 and qualified participant for each payroll and each payroll period.

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

24 (3) The department of technology, management, and budget shall
25 ensure, to the maximum extent possible, that payments made under
26 this section shall be applied for any tax credits or tax liability
27 reduction under the health care and education reconciliation act of

1 2010, Public Law 111-152.

2 (4) ON OR BEFORE OCTOBER 1, 2011, ALL CONTRIBUTIONS UNDER THIS
3 SECTION SHALL CEASE AND THE STATE OR THE RETIREMENT SYSTEM SHALL
4 REFUND TO MEMBERS AND QUALIFIED PARTICIPANTS ALL AMOUNTS
5 CONTRIBUTED UNDER THIS SECTION, INCLUDING ANY ACTUAL INTEREST
6 EARNED ON THOSE CONTRIBUTIONS WHILE BEING HELD BY THIS STATE OR THE
7 RETIREMENT SYSTEM. THE STATE BUDGET DIRECTOR AND THE RETIREMENT
8 SYSTEM SHALL DETERMINE A METHOD OF REFUNDING THE CONTRIBUTIONS AND
9 INTEREST PROVIDED FOR IN THIS SUBSECTION TO EACH MEMBER AND
10 QUALIFIED PARTICIPANT.

11 SEC. 35A. (1) BEGINNING WITH THE FIRST PAY DATE AFTER OCTOBER
12 1, 2011 AND ENDING UPON THE MEMBER'S TERMINATION OF EMPLOYMENT OR
13 ATTAINMENT DATE, AS APPLICABLE UNDER SECTION 50A, EACH MEMBER WHO
14 MADE THE ELECTION UNDER SECTION 50A SHALL CONTRIBUTE AN AMOUNT
15 EQUAL TO 4% OF HIS OR HER COMPENSATION TO THE EMPLOYEES' SAVINGS
16 FUND TO PROVIDE FOR THE AMOUNT OF RETIREMENT ALLOWANCE THAT IS
17 CALCULATED ONLY ON THE CREDITED SERVICE AND COMPENSATION RECEIVED
18 BY THAT MEMBER AFTER SEPTEMBER 30, 2011. THE MEMBER SHALL NOT
19 CONTRIBUTE ANY AMOUNT UNDER THIS SUBSECTION FOR ANY YEARS OF
20 CREDITED SERVICE ACCRUED OR COMPENSATION RECEIVED BEFORE OCTOBER 1,
21 2011.

22 (2) THE RETIREMENT SYSTEM AND STATE BUDGET DIRECTOR SHALL
23 DETERMINE A METHOD OF DEDUCTING THE CONTRIBUTIONS PROVIDED FOR IN
24 THIS SECTION FROM THE COMPENSATION OF EACH MEMBER FOR EACH PAYROLL
25 AND EACH PAYROLL PERIOD.

26 (3) THE STATE SHALL PICK UP THE MEMBER CONTRIBUTIONS REQUIRED
27 BY SUBSECTION (1) FOR ALL COMPENSATION RECEIVED ON OR AFTER OCTOBER

1 1, 2011. CONTRIBUTIONS PICKED UP SHALL BE TREATED AS EMPLOYER
2 CONTRIBUTIONS IN DETERMINING TAX TREATMENT UNDER THE INTERNAL
3 REVENUE CODE. THE STATE SHALL PAY THESE MEMBER CONTRIBUTIONS FROM
4 THE SAME SOURCE OF FUNDS THAT IS USED IN PAYING COMPENSATION TO THE
5 MEMBER.

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

9 Sec. 38. (1) The annual level percent of payroll contribution
10 rate to finance the benefits provided under this act shall be
11 determined by actuarial valuation pursuant to subsections (2) and
12 (3), upon the basis of the risk assumptions adopted by the
13 retirement board with approval of the department of **TECHNOLOGY**,
14 management, and budget, and in consultation with the investment
15 counsel and the actuary. An annual actuarial valuation shall be
16 made of the retirement system in order to determine the actuarial
17 condition of the retirement system and the required contribution to
18 the retirement system. The actuary shall report to the legislature
19 by April 15 of each year on the actuarial condition of the
20 retirement system as of the end of the previous fiscal year and on
21 the projections of state contributions for the next fiscal year.
22 The actuary shall certify in the report that the techniques and
23 methodologies used are generally accepted within the actuarial
24 profession and that the assumptions and cost estimates used fall
25 within the range of reasonable and prudent assumptions and cost
26 estimates. An annual actuarial gain-loss experience study of the
27 retirement system shall be made in order to determine the financial

1 effect of variations of actual retirement system experience from
2 projected experience.

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

7 (3) Except as otherwise provided in this subsection, the
8 contribution rate for benefits shall be computed using an
9 individual projected benefit entry age normal cost method of
10 valuation. For the 1995-96 state fiscal year and for each
11 subsequent fiscal year in which the actuarial accrued liability for
12 health benefits is less than 100% funded, the contribution rate for
13 benefits provided under section 20d shall be computed using a cash
14 disbursement method. Beginning in the fiscal year after the fiscal
15 year in which the actuarial accrued liability for health benefits
16 under section 20d is at least 100% funded by the health advance
17 funding subaccount created under section 11(9), and continuing for
18 each subsequent fiscal year, the contribution rate for health
19 benefits provided under section 20d shall be computed using an
20 individual projected benefit entry age normal cost method of
21 valuation. The contribution rate for service that may be rendered
22 in the current year, the normal cost contribution rate, shall be
23 equal to the aggregate amount of individual entry age normal costs
24 divided by 1% of the aggregate amount of active members' valuation
25 compensation. The unfunded actuarial accrued liability shall be
26 equal to the actuarial present value of benefits reduced by the
27 actuarial present value of future normal cost contributions and the

1 actuarial value of assets on the valuation date. Except as
2 otherwise provided in this subsection, the unfunded actuarial
3 accrued liability shall be amortized in accordance with generally
4 accepted governmental accounting standards over a period equal to
5 or less than 40 years, **WITH THE PAYMENT SCHEDULE FOR THE EMPLOYER**
6 **BEING BASED UPON AND APPLIED TO THE COMBINED PAYROLLS OF THE**
7 **EMPLOYEES WHO ARE MEMBERS AND QUALIFIED PARTICIPANTS.** ~~For the~~
8 ~~fiscal year that begins on October 1, 2006 only, the contribution~~
9 ~~for the unfunded actuarial accrued liability shall be equal to 4.5%~~
10 ~~of the unfunded actuarial accrued liability.~~

11 (4) The legislature annually shall appropriate to the
12 retirement system the amount determined pursuant to subsections (2)
13 and (3). The state treasurer shall transfer monthly to the
14 retirement system an amount equal to the product of the
15 contribution rates determined in subsections (2) and (3) times the
16 aggregate amount of active member **OR QUALIFIED PARTICIPANT**
17 compensation, **AS APPROPRIATE**, paid during that month. Not later
18 than 60 days after the termination of each state fiscal year, the
19 executive secretary of the retirement board shall certify to the
20 director of the department of **TECHNOLOGY**, management, and budget
21 the actual aggregate compensations paid to active members **AND**
22 **QUALIFIED PARTICIPANTS** during the preceding state fiscal year. Upon
23 receipt of that certification, the director of the department of
24 **TECHNOLOGY**, management, and budget shall compute the difference, if
25 any, between actual state contributions received during the
26 preceding state fiscal year and the product of the contribution
27 rates determined in subsections (2) and (3) times the aggregate

1 compensations paid to active members **OR QUALIFIED PARTICIPANTS, AS**
2 **APPROPRIATE**, during the preceding state fiscal year. Except as
3 otherwise provided in subsection (5), the difference, if any, shall
4 be submitted in the executive budget to the legislature for
5 appropriation in the next succeeding state fiscal year. This
6 subsection does not apply for those fiscal years in which a deposit
7 occurs pursuant to subsection (6).

8 (5) For differences occurring in fiscal years beginning on or
9 after October 1, 1991, a minimum of 20% of the difference between
10 the estimated and the actual aggregate compensation and the
11 estimated and the actual contribution rate described in subsection
12 (4), if any, may be submitted in the executive budget to the
13 legislature for appropriation in the next succeeding state fiscal
14 year and a minimum of 25% of the remaining difference shall be
15 submitted in the executive budget to the legislature for
16 appropriation in each of the following 4 state fiscal years, or
17 until 100% of the remaining difference is submitted, whichever
18 first occurs. In addition, interest shall be included for each year
19 that a portion of the remaining difference is carried forward. The
20 interest rate shall equal the actuarially assumed rate of
21 investment return for the state fiscal year in which payment is
22 made. This subsection does not apply for those fiscal years in
23 which a deposit occurs pursuant to subsection (6).

24 (6) For each fiscal year that begins on or after October 1,
25 2001, if the actuarial valuation prepared pursuant to this section
26 for each fiscal year demonstrates that as of the beginning of a
27 fiscal year, and after all credits and transfers required by this

1 act for the previous fiscal year have been made, the sum of the
2 actuarial value of assets and the actuarial present value of future
3 normal cost contributions exceeds the actuarial present value of
4 benefits, the annual level percent of payroll contribution rate as
5 determined pursuant to subsections (1), (2), and (3) may be
6 deposited into the health advance funding subaccount created under
7 section 11(9).

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

19 Sec. 47. (1) Upon retirement as provided in section 46, a
20 supplemental member shall be paid a temporary straight life
21 supplemental early retirement allowance terminating upon the
22 supplemental member reaching age 62 years or his or her death,
23 whichever occurs first. Prior to the effective date of retirement,
24 the supplemental member may choose to be paid his or her retirement
25 allowance under an optional form of payment provided in section
26 31(1)(a). For the purposes of this election, the provisions of
27 section 31(1)(a) are modified to reflect the temporary nature of a

1 supplemental early retirement allowance.

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

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

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

13 (b) The member has 25 or more years of credited service, of
14 which 20 years of credited service are as a conservation officer
15 and of which the last 2 years of credited service are as a
16 conservation officer.

17 (2) A member who is a conservation officer may retire under
18 this section if the member has 25 or more years of credited
19 service, of which 23 years of credited service are as a
20 conservation officer and of which the last 2 years of credited
21 service are as a conservation officer.

22 (3) A member may retire under subsection (1) or (2) upon
23 written application to the retirement board stating a date upon
24 which he or she desires to retire. ~~Beginning~~**SUBJECT TO SECTION**
25 **20J, BEGINNING** on the retirement allowance effective date, he or
26 she shall receive a retirement allowance equal to 60% of the
27 member's annual compensation for the member's most highly

1 compensated 24 consecutive months of service as a conservation
2 officer. The formula for calculating a member's retirement
3 allowance under this subsection shall never exceed the formula for
4 calculating a retirement allowance under section 24 of the state
5 police retirement act of 1986, 1986 PA 182, MCL 38.1624.

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

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

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

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

13 (5) A member may retire under subsection (4) upon written
14 application to the retirement board, on or after April 1, 1991, but
15 not later than April 1, 1992, stating a date on which he or she
16 desires to retire. The retirement allowance effective date shall be
17 on or after May 1, 1991 but not later than July 1, 1992. Beginning
18 on the retirement allowance effective date, he or she shall receive
19 a retirement allowance equal to 2% of the member's annual
20 compensation for the member's most highly compensated 24
21 consecutive months of service as a conservation officer times the
22 number of years, including any fraction of a year, of service
23 credited to the member under this act. However, a retirement
24 allowance payable under this subsection shall not exceed 60% of the
25 member's annual compensation for the member's most highly
26 compensated 24 consecutive months of service as a conservation
27 officer.

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

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

14 (8) If a member who retires under this section dies before
15 receiving payment of his or her retirement allowance in an
16 aggregate amount equal to the accumulated contributions standing to
17 the retirant's account in the employees' savings fund at the time
18 of his or her retirement, the difference between his or her
19 accumulated contributions and the amount of the retirement
20 allowance received by him or her shall be paid to the person or
21 persons that the retirant has nominated by written designation duly
22 executed and filed with the retirement board, or, if there is no
23 such designated person or persons surviving, then to the retirant's
24 legal representative or estate.

25 (9) The director of the department of natural resources, or
26 his or her designee, shall certify to the retirement board that a
27 member who applies to retire under this section is a conservation

1 officer.

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

6 Sec. 49. (1) This section is enacted pursuant to section
7 401(a) of the internal revenue code, 26 USC 401, that imposes
8 certain administrative requirements and benefit limitations for
9 qualified governmental plans. This state intends that the
10 retirement system be a qualified pension plan created in trust
11 under section 401 of the internal revenue code, 26 USC 401, and
12 that the trust be an exempt organization under section 501 of the
13 internal revenue code, 26 USC 501. The department shall administer
14 the retirement system to fulfill this intent.

15 (2) The retirement system shall be administered in compliance
16 with the provisions of section 415 of the internal revenue code, 26
17 USC 415, and regulations under that section that are applicable to
18 governmental plans and beginning January 1, 2010, applicable
19 provisions of the final regulations issued by the internal revenue
20 service on April 5, 2007. Employer-financed benefits provided by
21 the retirement system under this act shall not exceed the
22 applicable limitations set forth in section 415 of the internal
23 revenue code, 26 USC 415, as adjusted by the commissioner of
24 internal revenue under section 415(d) of the internal revenue code,
25 26 USC 415, to reflect cost-of-living increases, and the retirement
26 system shall adjust the benefits, including benefits payable to
27 retirants and retirement allowance beneficiaries, subject to the

1 limitation each calendar year to conform with the adjusted
2 limitation. For purposes of section 415(b) of the internal revenue
3 code, 26 USC 415, the applicable limitation shall apply to
4 aggregated benefits received from all qualified pension plans for
5 which the office of retirement services coordinates administration
6 of that limitation. If there is a conflict between this section and
7 another section of this act, this section prevails.

8 (3) The assets of the retirement system shall be held in trust
9 and invested for the sole purpose of meeting the legitimate
10 obligations of the retirement system and shall not be used for any
11 other purpose. The assets shall not be used for or diverted to a
12 purpose other than for the exclusive benefit of the members, vested
13 former members, retirants, and retirement allowance beneficiaries
14 before satisfaction of all retirement system liabilities.

15 (4) The retirement system shall return post-tax member
16 contributions made by a member and received by the retirement
17 system to a member upon retirement, pursuant to internal revenue
18 service regulations and approved internal revenue service exclusion
19 ratio tables.

20 (5) The required beginning date for retirement allowances and
21 other distributions shall not be later than April 1 of the calendar
22 year following the calendar year in which the employee attains age
23 70-1/2 or April 1 of the calendar year following the calendar year
24 in which the employee retires. The required minimum distribution
25 requirements imposed by section 401(a)(9) of the internal revenue
26 code, 26 USC 401, shall apply to this act and be administered in
27 accordance with a reasonable and good faith interpretation of the

1 required minimum distribution requirements for all years to which
2 the required minimum distribution requirements apply to the
3 retirement system.

4 (6) If the retirement system is terminated, the interest of
5 the members, vested former members, retirants, and retirement
6 allowance beneficiaries in the retirement system is nonforfeitable
7 to the extent funded as described in section 411(d)(3) of the
8 internal revenue code, 26 USC 411, and related internal revenue
9 service regulations applicable to governmental plans.

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

17 **BEGINNING OCTOBER 1, 2010, A NONSPOUSE BENEFICIARY MAY ELECT TO**
18 **HAVE ANY PORTION OF AN AMOUNT PAYABLE UNDER THIS ACT THAT IS AN**
19 **ELIGIBLE ROLLOVER DISTRIBUTION TREATED AS A DIRECT ROLLOVER THAT**
20 **WILL BE PAID IN A DIRECT TRUSTEE-TO-TRUSTEE TRANSFER TO AN**
21 **INDIVIDUAL RETIREMENT ACCOUNT OR INDIVIDUAL RETIREMENT ANNUITY**
22 **DESCRIBED IN SECTION 408(A) OR (B) OF THE INTERNAL REVENUE CODE, 26**
23 **USC 408, THAT IS ESTABLISHED FOR THE PURPOSE OF RECEIVING A**
24 **DISTRIBUTION ON BEHALF OF THE BENEFICIARY AND THAT WILL BE TREATED**
25 **AS AN INHERITED INDIVIDUAL RETIREMENT ACCOUNT OR INDIVIDUAL**
26 **RETIREMENT ANNUITY PURSUANT TO SECTION 402(C)(11) OF THE INTERNAL**
27 **REVENUE CODE, 26 USC 402.**

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

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

13 (10) Notwithstanding any other provision of this act **TO THE**
14 **CONTRARY**, contributions, benefits, and service credit with respect
15 to qualified military service will be provided under the retirement
16 system in accordance with section 414(u) of the internal revenue
17 code, 26 USC 414. This subsection applies to all qualified military
18 service on or after December 12, 1994. Beginning on January 1,
19 2007, in accordance with section 401(a)(37) of the internal revenue
20 code, 26 USC 401, if a member dies while performing qualified
21 military service for purposes of determining death benefits payable
22 under this act, the member shall be treated as having resumed and
23 then terminated employment because of death.

24 Sec. 50. (1) Except as otherwise provided in subsection (2),
25 the retirement system shall provide an opportunity for each member
26 who is a member on March 30, 1997, to elect in writing to terminate
27 membership in Tier 1 and elect to become a qualified participant in

1 Tier 2. An election made by a member under this subsection is
2 irrevocable. The retirement system shall accept written elections
3 under this subsection from members during the period beginning on
4 January 2, 1998 and ending on April 30, 1998. A member who does not
5 make a written election or who does not file the election during
6 the period specified in this subsection continues to be a member of
7 Tier 1. A member who makes and files a written election under this
8 subsection elects to do all of the following:

9 (a) Cease to be a member of Tier 1 effective 12 midnight May
10 31, 1998.

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

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

19 (2) This subsection applies to an individual who was a vested
20 member of Tier 1 on March 30, 1997 and who terminates the
21 employment upon which that membership is based on or after March
22 31, 1997 but on or before May 31, 1998. Before the termination of
23 his or her employment, an individual described in this subsection
24 may elect in writing to terminate membership in Tier 1 and become a
25 qualified participant in Tier 2. An election made by a member under
26 this subsection is irrevocable. The retirement system shall accept
27 written elections under this subsection from a member during the

1 period beginning on March 31, 1997 and ending on May 31, 1998. A
2 member described in this subsection who does not make a written
3 election or who does not file the election before the termination
4 of his or her employment continues to be a member or defined member
5 of Tier 1. A member who makes and files a written election under
6 this subsection to terminate membership in Tier 1 elects to do all
7 of the following:

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

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

14 (c) Except as otherwise provided in this subdivision, waive
15 all of his or her rights to a pension, an annuity, a retirement
16 allowance, an insurance benefit, or any other benefit under Tier 1
17 effective 12 midnight on the date described in subdivision (a).
18 This subdivision does not affect an individual's right to health
19 benefits provided under this act pursuant to section 68.

20 (3) If an individual who was a deferred member on March 30,
21 1997 or an individual who was a former nonvested member on March
22 30, 1997 is reemployed **BEFORE JULY 1, 2011** and by virtue of that
23 employment is again eligible for membership in Tier 1, the
24 individual shall elect in writing to remain a member of Tier 1 or
25 to terminate membership in Tier 1 and become a qualified
26 participant in Tier 2. An election made by a deferred member or a
27 former nonvested member under this subsection is irrevocable. The

1 retirement system shall accept written elections under this
2 subsection from a deferred member or a former nonvested member
3 during the period beginning on the date of the individual's
4 reemployment and ending upon the expiration of 60 days after the
5 date of that reemployment **BUT NO LATER THAN AUGUST 29, 2011**. A
6 deferred member or former nonvested member who makes and files a
7 written election to remain a member of Tier 1 retains all rights
8 and is subject to all conditions as a member of Tier 1 under this
9 act. A deferred member or former nonvested member who does not make
10 a written election or who does not file the election during the
11 period specified in this subsection continues to be a member of
12 Tier 1. A deferred member or former nonvested member who makes and
13 files a written election to terminate membership in Tier 1 elects
14 to do all of the following:

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

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

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 Tier 1
24 effective 12 midnight on the last day of the payroll period that
25 includes the date of the election. This subdivision does not affect
26 an individual's right to health benefits provided under this act
27 pursuant to section 68.

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

11 (5) An election under this section is subject to the eligible
12 domestic relations order act, ~~Act No. 46 of the Public Acts of~~
13 ~~1991, being sections 38.1701 to 38.1711 of the Michigan Compiled~~
14 ~~Laws-1991 PA 46, MCL 38.1701 TO 38.1711.~~

15 (6) If an individual who was a deferred member of the public
16 school employees retirement system on March 30, 1997 is first
17 employed and entered upon the payroll of his or her employer on or
18 after March 31, 1997 **AND BEFORE JULY 1, 2011**, the retirement system
19 shall provide an opportunity for that individual to elect in
20 writing to become a member of Tier 1 or to become a qualified
21 participant of Tier 2. The retirement system and the individual
22 shall follow the provisions and procedures provided in this section
23 and by the state treasurer as if the individual were a deferred
24 member of this retirement system on March 30, 1997.

25 (7) If the department of **TECHNOLOGY**, management, and budget
26 receives notification from the United States internal revenue
27 service that this section or any portion of this section will cause

1 the retirement system to be disqualified for tax purposes under the
2 internal revenue code, then the portion that will cause the
3 disqualification does not apply.

4 (8) THIS SECTION DOES NOT APPLY TO A DEFERRED MEMBER OR FORMER
5 NONVESTED MEMBER UNDER SUBSECTION (3) OR A DEFERRED MEMBER OF THE
6 PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM UNDER SUBSECTION (6) ON
7 OR AFTER JULY 1, 2011.

8 SEC. 50A. (1) THE RETIREMENT SYSTEM SHALL PROVIDE AN
9 OPPORTUNITY FOR EACH MEMBER WHO IS A MEMBER ON JUNE 30, 2011 TO
10 MAKE AN ELECTION WITH THE RETIREMENT SYSTEM TO CONTINUE TO RECEIVE
11 CREDIT FOR ANY FUTURE SERVICE AND COMPENSATION AFTER SEPTEMBER 30,
12 2011, FOR PURPOSES OF A CALCULATION OF A RETIREMENT ALLOWANCE UNDER
13 THIS ACT. A MEMBER WHO MAKES THE ELECTION UNDER THIS SECTION SHALL
14 MAKE THE CONTRIBUTIONS PRESCRIBED IN SECTION 35A.

15 (2) AS PART OF THE ELECTION UNDER SUBSECTION (1), THE
16 RETIREMENT SYSTEM SHALL PROVIDE AN OPPORTUNITY FOR THE MEMBER TO
17 MAKE A DESIGNATION THAT THE CONTRIBUTIONS PRESCRIBED IN SECTION 35A
18 SHALL BE PAID ONLY UNTIL THE MEMBER'S ATTAINMENT DATE. A MEMBER WHO
19 MAKES THE ELECTION UNDER SUBSECTION (1) AND WHO MAKES THE
20 DESIGNATION UNDER THIS SUBSECTION SHALL MAKE THE CONTRIBUTIONS
21 PRESCRIBED IN SECTION 35A ONLY UNTIL THE MEMBER'S ATTAINMENT DATE.
22 A MEMBER WHO MAKES THE ELECTION UNDER SUBSECTION (1) AND WHO DOES
23 NOT MAKE THE DESIGNATION OR RESCINDS THE DESIGNATION UNDER THIS
24 SUBSECTION SHALL MAKE THE CONTRIBUTIONS PRESCRIBED IN SECTION 35A
25 UNTIL TERMINATION OF EMPLOYMENT.

26 (3) THE RETIREMENT SYSTEM SHALL DETERMINE A METHOD OF
27 ACCEPTING MEMBER ELECTIONS AND DESIGNATIONS UNDER THIS SECTION. THE

1 RETIREMENT SYSTEM SHALL ACCEPT ELECTIONS AND DESIGNATIONS UNDER
2 THIS SECTION FROM MEMBERS DURING AN ELECTION PERIOD THAT BEGINS ON
3 JULY 1, 2011 AND ENDS AT 5 P.M. EASTERN DAYLIGHT TIME ON AUGUST 31,
4 2011. A MEMBER MAY RESCIND AN ELECTION OR DESIGNATION ON OR BEFORE
5 THE CLOSE OF THE ELECTION PERIOD. AN ELECTION OR DESIGNATION MADE
6 BY A MEMBER AND NOT RESCINDED ON OR BEFORE THE CLOSE OF THE
7 ELECTION PERIOD SHALL NOT BE RESCINDED.

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

11 (A) HE OR SHE CEASES TO RECEIVE CREDIT FOR ANY FUTURE SERVICE
12 AND COMPENSATION FOR PURPOSES OF A CALCULATION OF A RETIREMENT
13 ALLOWANCE AS PRESCRIBED IN SECTION 20J, BEGINNING 12 MIDNIGHT
14 EASTERN DAYLIGHT TIME ON SEPTEMBER 30, 2011.

15 (B) HE OR SHE BECOMES A QUALIFIED PARTICIPANT IN TIER 2
16 BEGINNING 12:01 A.M. EASTERN DAYLIGHT TIME ON OCTOBER 1, 2011.

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

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

27 (A) HE OR SHE CEASES TO RECEIVE CREDIT FOR ANY FUTURE SERVICE

1 AND COMPENSATION FOR PURPOSES OF A CALCULATION OF A RETIREMENT
2 ALLOWANCE AS PRESCRIBED IN SECTION 20J, BEGINNING 12 MIDNIGHT
3 EASTERN DAYLIGHT TIME ON THE MEMBER'S ATTAINMENT DATE.

4 (B) HE OR SHE BECOMES A QUALIFIED PARTICIPANT IN TIER 2
5 BEGINNING 12:01 A.M. ON THE DAY AFTER HE OR SHE ATTAINS 30 YEARS OF
6 CREDITED SERVICE IF HE OR SHE REMAINS EMPLOYED BY THIS STATE.

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

13 (6) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A
14 DEFERRED MEMBER WHO IS REEMPLOYED ON OR AFTER JULY 1, 2011 SHALL BE
15 TREATED IN THE SAME MANNER AS A MEMBER UNDER SECTION 20J WHO DID
16 NOT MAKE THE ELECTION UNDER THIS SECTION AND SHALL BECOME A
17 QUALIFIED PARTICIPANT IN TIER 2. HOWEVER, A DEFERRED MEMBER WHO,
18 WHILE A MEMBER, MADE THE ELECTION UNDER THIS SECTION SHALL HAVE THE
19 CREDITED SERVICE ACCRUED AND COMPENSATION RECEIVED DURING THE TIME
20 HE OR SHE MADE THE CONTRIBUTIONS UNDER SECTION 35A INCLUDED IN THE
21 CALCULATION OF A RETIREMENT ALLOWANCE UNDER THIS ACT.

22 (7) A FORMER NONVESTED MEMBER WHO IS REEMPLOYED ON OR AFTER
23 JULY 1, 2011 IS NOT ELIGIBLE FOR MEMBERSHIP IN TIER 1, SHALL BECOME
24 A QUALIFIED PARTICIPANT IN TIER 2, AND SHALL BE TREATED AS BEING
25 FIRST EMPLOYED BY THIS STATE AS OF HIS OR HER DATE OF REEMPLOYMENT.

26 (8) A DEFERRED MEMBER OF THE PUBLIC SCHOOL EMPLOYEES
27 RETIREMENT SYSTEM WHO IS FIRST EMPLOYED AND ENTERED UPON THE

1 PAYROLL OF HIS OR HER EMPLOYER ON OR AFTER JULY 1, 2011 SHALL
2 BECOME A QUALIFIED PARTICIPANT IN TIER 2 AND SHALL NOT BE TREATED
3 AS A MEMBER FOR ANY PURPOSE.

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

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

9 (2) "Qualified participant" means an individual who is a
10 participant of Tier 2 and who meets 1 of the following
11 requirements:

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

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

19 (c) ~~An individual who is~~ IS an adjutant general or an
20 assistant adjutant general under the Michigan military act, 1967 PA
21 150, MCL 32.501 to 32.851, and who is first employed as an adjutant
22 general or assistant adjutant general on or after January 1, 2011.

23 (D) WAS A MEMBER WHO DID NOT MAKE THE ELECTION UNDER SECTION
24 50A.

25 (E) WAS A MEMBER WHO MADE THE ELECTION UNDER SECTION 50A(1)
26 AND THE DESIGNATION UNDER SECTION 50A(2) AND WHO HAS ATTAINED 30
27 YEARS OF CREDITED SERVICE OR WHO HAS TERMINATED EMPLOYMENT AND HAS

1 **BEEN REEMPLOYED BY THIS STATE.**

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

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

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

8 (5) Except as otherwise provided in this subsection, "year of
9 service" means each period during which a qualified participant is
10 employed by the employer and is credited with 2,080 hours of
11 service. The Tier 2 plan administrator and the plan document may
12 provide for a lesser number of annual hours and a maximum number of
13 hours per pay period for any classification of employees, provided
14 that no participant shall receive credit for more than 1 year of
15 service for any 12-month period of employment. Beginning January 1,
16 2003, full service credit shall also be given to a participant for
17 furlough hours, for required 1-day layoffs, for required and
18 designated temporary layoffs, for a year in which a participant
19 temporarily leaves employment to enter active military duty and
20 then dies during that active military duty, and for participation
21 in the banked leave time program. In the event a terminated
22 participant is reemployed, such individual shall retain credit for
23 all full and partial years of service completed prior to such
24 reemployment, for purposes of determining his or her vesting
25 percentage in any employer contributions made pursuant to section
26 63(2) and (3) after his or her reemployment.

27 Sec. 64. (1) A qualified participant is immediately 100%

1 vested in his or her contributions made to Tier 2 and employer
2 contributions under the banked leave time program. Except as
3 otherwise provided in this section, a qualified participant shall
4 vest in the employer contributions made on his or her behalf to
5 Tier 2 according to the following schedule:

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

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

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

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

12 (a) The qualified participant has completed 10 years of
13 service as a qualified participant, ~~and was not a member, deferred~~
14 ~~member, or former nonvested member of Tier 1, AND WHOSE TERMINATION~~
15 **OF EMPLOYMENT IS BEFORE OCTOBER 1, 2011.**

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

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

27 Sec. 67a. (1) Except as otherwise provided in **THIS SECTION OR**

1 section 33, a qualified participant who becomes totally
2 incapacitated for duty because of a personal injury or disease
3 shall be retired if all of the following apply:

4 (a) Within 1 year after the qualified participant becomes
5 totally incapacitated or at a later date if the later date is
6 approved by the retirement board, the qualified participant, the
7 qualified participant's personal representative or guardian, his or
8 her department head, or the state personnel director files an
9 application on behalf of the member with the retirement board.

10 (b) The retirement board finds that the qualified
11 participant's personal injury or disease is the natural and
12 proximate result of the qualified participant's performance of
13 duty.

14 (c) A medical advisor conducts a medical examination of the
15 qualified participant and certifies in writing that the qualified
16 participant is mentally or physically totally incapacitated for
17 further performance of duty, that the total incapacitation is
18 probably permanent, and that the qualified participant should be
19 retired.

20 (d) The retirement board concurs in the recommendation of the
21 medical advisor.

22 (2) If the retirement board grants the application of the
23 qualified participant under subsection (1), the qualified
24 participant shall be granted a supplemental benefit equivalent to
25 the amount provided in section 23 as if the former qualified
26 participant had retired under section 21, which supplemental
27 benefit shall be offset by the value of the distribution of his or

1 her accumulated balance as determined by the retirement system upon
2 becoming a former qualified participant pursuant to section 67.

3 (3) If a qualified participant dies as a result of a personal
4 injury or disease arising out of and in the course of his or her
5 employment with this state, or if a former qualified participant
6 who retired under subsection (1) who dies before becoming age 60
7 and within 3 years after the former qualified participant's
8 disability retirement from the same causes from which he or she
9 separated, and such death or illness or injuries resulting in death
10 are found by the retirement board to have been the sole and
11 exclusive result of employment with this state, a supplemental
12 benefit shall be granted equivalent to the amount provided for in
13 section 27 had the former qualified participant been considered
14 retired under section 27, which supplemental benefit shall be
15 offset by the value of the distribution of his or her accumulated
16 balance upon becoming a former qualified participant pursuant to
17 section 67.

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

24 (5) Except as otherwise provided in **THIS SECTION OR** section
25 33, a qualified participant who becomes totally incapacitated for
26 duty because of a personal injury or disease that is not the
27 natural and proximate result of the qualified participant's

1 performance of duty may be retired if all of the following apply:

2 (a) Within 1 year after the qualified participant becomes
3 totally incapacitated or at a later date if the later date is
4 approved by the retirement board, the qualified participant, the
5 qualified participant's personal representative or guardian, the
6 qualified participant's department head, or the state personnel
7 director files an application on behalf of the qualified
8 participant with the retirement board.

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

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

16 (6) If the retirement board grants the application of the
17 qualified participant under subsection (5), the qualified
18 participant shall be granted a supplemental benefit equivalent to
19 the amount provided for in section 25 as if the qualified
20 participant had retired under section 24. The supplemental benefit
21 shall be offset by the value of the distribution of his or her
22 accumulated balance as determined by the retirement system upon
23 becoming a former qualified participant pursuant to section 67.

24 (7) ~~IF~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, IF** a
25 qualified participant who has been a state employee for the number
26 of years necessary to vest under Tier 1 dies as a result of causes
27 occurring not in the performance of duty to this state, a

1 supplemental benefit shall be granted equivalent to the amount
2 provided for in section 25 had the former qualified participant
3 been considered retired under section 24, which supplemental
4 benefit shall be offset by the value of the distribution of his or
5 her accumulated balance as determined by the retirement system upon
6 becoming a former qualified participant pursuant to section 67.

7 (8) A qualified participant, former qualified participant, or
8 beneficiary of a deceased participant, which participant is
9 eligible for a disability retirement allowance pursuant to
10 subsection (4) or (5), is eligible for health insurance coverage
11 under section 20d in all respects and under the same terms as would
12 be a retirant and his or her beneficiaries under Tier 1.

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

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

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

21 (b) The former qualified participant meets or exceeds the
22 benefit commencement age employed in the actuarial present value
23 calculation under section 51 and the service requirements that
24 would have applied to that former **QUALIFIED** participant under Tier
25 1 for receiving health insurance coverage under section 20d, if
26 that former **QUALIFIED** participant was a member of Tier 1.

27 (2) A former qualified participant who is eligible to elect

1 health insurance coverage under subsection (1) may elect health
2 insurance coverage in a health benefit plan or plans as authorized
3 by section 20d. A former qualified participant who is eligible to
4 elect health insurance coverage under subsection (1) may also elect
5 health insurance coverage for his or her health benefit dependents,
6 if any. A surviving health benefit dependent of a deceased former
7 qualified participant who is eligible to elect health insurance
8 coverage under subsection (1) may elect health insurance coverage
9 in the manner prescribed in this section.

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

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

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

20 (5) For a former qualified participant who is eligible to
21 elect health insurance coverage under subsection (1) and who is
22 ~~vested in~~ **ELIGIBLE FOR** those benefits under section 64(2)(b), and
23 for his or her health benefit dependents, this state shall pay a
24 portion of the health insurance premium as calculated under this
25 subsection on a cash disbursement method. An individual described
26 in this subsection who elects health insurance coverage under this
27 section shall pay to the retirement system the remaining portion of

1 the health insurance coverage premium not paid by this state under
2 this subsection. The portion of the health insurance coverage
3 premium paid by this state under this subsection shall be equal to
4 the premium amounts paid on behalf of retirants of Tier 1 for
5 health insurance coverage under section 20d. If the individual
6 elects the health insurance coverage provided under section 20d,
7 the state shall transfer its portion of the amount calculated under
8 this subsection to the health insurance reserve fund created by
9 section 11.

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

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

23 (8) As used in this section, "health insurance coverage" means
24 the hospitalization and medical insurance, dental coverage, vision
25 coverage, and any other health care insurance provided in section
26 20d.

27 (9) **THIS SECTION DOES NOT APPLY TO A QUALIFIED PARTICIPANT OR**

1 FORMER QUALIFIED PARTICIPANT WHOSE TERMINATION OF EMPLOYMENT IS ON
2 OR AFTER OCTOBER 1, 2011, UNLESS THE QUALIFIED PARTICIPANT OR
3 FORMER QUALIFIED PARTICIPANT WAS PREVIOUSLY A MEMBER OF TIER 1 AS
4 DESCRIBED IN SECTION 64(2)(B).

5 SEC. 68B. (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION,
6 BEGINNING OCTOBER 1, 2011, A QUALIFIED PARTICIPANT OR FORMER
7 QUALIFIED PARTICIPANT WHO WAS A QUALIFIED PARTICIPANT OR FORMER
8 QUALIFIED PARTICIPANT ON SEPTEMBER 30, 2011 SHALL NOT RECEIVE ANY
9 HEALTH INSURANCE COVERAGE PREMIUM FROM THIS STATE AND SHALL CEASE
10 ACCRUING YEARS OF SERVICE CREDIT FOR PURPOSES OF CALCULATING A
11 PORTION OF THE HEALTH INSURANCE COVERAGE PREMIUM THAT WOULD HAVE
12 BEEN PAID BY THIS STATE UNDER SECTION 68 AS IF THAT SECTION
13 CONTINUED TO APPLY AND FOR THE PORTION OF THE AMOUNT TO BE
14 CALCULATED UNDER THIS SECTION FOR CREDITING TO A HEALTH
15 REIMBURSEMENT ACCOUNT.

16 (2) IN LIEU OF ANY HEALTH INSURANCE COVERAGE PREMIUM THAT
17 MIGHT HAVE BEEN PAID BY THIS STATE UNDER SECTION 68, THE RETIREMENT
18 SYSTEM SHALL CALCULATE AN AMOUNT TO BE CREDITED TO THE HEALTH
19 REIMBURSEMENT ACCOUNT WITHIN THE TRUST CREATED UNDER THE PUBLIC
20 EMPLOYEE RETIREMENT HEALTH CARE FUNDING ACT, 2010 PA 77, MCL
21 38.2731 TO 38.2747, FOR EACH QUALIFIED PARTICIPANT WHO MEETS ALL OF
22 THE FOLLOWING REQUIREMENTS:

23 (A) THE QUALIFIED PARTICIPANT HAS 4 OR MORE YEARS OF SERVICE
24 AS OF SEPTEMBER 30, 2011 AND WAS NOT A MEMBER, DEFERRED MEMBER, OR
25 FORMER NONVESTED MEMBER OF TIER 1.

26 (B) THE QUALIFIED PARTICIPANT AT TERMINATION OF EMPLOYMENT IS
27 AT LEAST 60 YEARS OF AGE WITH AT LEAST 10 YEARS OF SERVICE, OR IS

1 AT LEAST 55 YEARS OF AGE WITH AT LEAST 30 YEARS OF SERVICE.

2 (C) THE QUALIFIED PARTICIPANT IS EMPLOYED BY THIS STATE
3 IMMEDIATELY PRIOR TO HIS OR HER TERMINATION OF EMPLOYMENT WITHOUT
4 PREVIOUSLY HAVING INCURRED A SEPARATION FROM STATE EMPLOYMENT OF
5 MORE THAN A 60-MONTH PERIOD AFTER OCTOBER 1, 2011.

6 (3) IN LIEU OF ANY HEALTH INSURANCE COVERAGE PREMIUM THAT
7 MIGHT HAVE BEEN PAID BY THIS STATE UNDER SECTION 68, THE RETIREMENT
8 SYSTEM SHALL CALCULATE AN AMOUNT TO BE CREDITED TO THE HEALTH
9 REIMBURSEMENT ACCOUNT WITHIN THE TRUST CREATED UNDER THE PUBLIC
10 EMPLOYEE RETIREMENT HEALTH CARE FUNDING ACT, 2010 PA 77, MCL
11 38.2731 TO 38.2747, FOR EACH FORMER QUALIFIED PARTICIPANT WHO MEETS
12 ALL OF THE FOLLOWING REQUIREMENTS:

13 (A) THE FORMER QUALIFIED PARTICIPANT HAS 10 OR MORE YEARS OF
14 SERVICE AS OF SEPTEMBER 30, 2011 AND WAS NOT A MEMBER, DEFERRED
15 MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1.

16 (B) THE FORMER QUALIFIED PARTICIPANT IS AT LEAST 60 YEARS OF
17 AGE WITH AT LEAST 10 YEARS OF SERVICE, OR IS AT LEAST 55 YEARS OF
18 AGE WITH AT LEAST 30 YEARS OF SERVICE.

19 (C) THE FORMER QUALIFIED PARTICIPANT IS NOT REEMPLOYED BY THIS
20 STATE ON OR AFTER OCTOBER 1, 2011.

21 (4) IN LIEU OF ANY HEALTH INSURANCE COVERAGE PREMIUM THAT
22 MIGHT HAVE BEEN PAID BY THIS STATE UNDER SECTION 68, THE RETIREMENT
23 SYSTEM SHALL CALCULATE AN AMOUNT TO BE CREDITED TO THE HEALTH
24 REIMBURSEMENT ACCOUNT WITHIN THE TRUST CREATED UNDER THE PUBLIC
25 EMPLOYEE RETIREMENT HEALTH CARE FUNDING ACT, 2010 PA 77, MCL
26 38.2731 TO 38.2747, FOR EACH FORMER QUALIFIED PARTICIPANT WHO MEETS
27 ALL OF THE FOLLOWING REQUIREMENTS:

1 (A) THE FORMER QUALIFIED PARTICIPANT HAS 10 OR MORE YEARS OF
2 SERVICE AS OF SEPTEMBER 30, 2011 AND WAS NOT A MEMBER, DEFERRED
3 MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1.

4 (B) THE FORMER QUALIFIED PARTICIPANT IS SUBSEQUENTLY
5 REEMPLOYED BY THIS STATE AND AT TERMINATION OF THE SUBSEQUENT
6 REEMPLOYMENT IS AT LEAST 60 YEARS OF AGE WITH AT LEAST 10 YEARS OF
7 SERVICE, OR IS AT LEAST 55 YEARS OF AGE WITH AT LEAST 30 YEARS OF
8 SERVICE.

9 (C) THE FORMER QUALIFIED PARTICIPANT IS EMPLOYED BY THIS STATE
10 IMMEDIATELY PRIOR TO HIS OR HER TERMINATION OF EMPLOYMENT WITHOUT
11 PREVIOUSLY HAVING INCURRED A SEPARATION FROM STATE EMPLOYMENT OF
12 MORE THAN A 60-MONTH PERIOD AFTER HIS OR HER SUBSEQUENT
13 REEMPLOYMENT.

14 (5) THE AMOUNT DESCRIBED IN SUBSECTIONS (2), (3), AND (4)
15 SHALL BE AN AMOUNT CALCULATED TO APPROXIMATE THE ACTUARIAL PRESENT
16 VALUE AS OF 12 MIDNIGHT SEPTEMBER 30, 2011 OF THE PROJECTED
17 RETIRANT HEALTH BENEFITS BASED ON THE CURRENT BENEFIT STRUCTURE
18 UNDER SECTION 68 AND THE QUALIFIED PARTICIPANT'S OR FORMER
19 QUALIFIED PARTICIPANT'S YEARS OF SERVICE AS OF SEPTEMBER 30, 2011.
20 THE AMOUNT CALCULATED UNDER THIS SUBSECTION SHALL BE EQUAL TO THE
21 PRODUCT OF ALL OF THE FOLLOWING AS DETERMINED BY THE RETIREMENT
22 SYSTEM IN CONSULTATION WITH THE ACTUARY FOR THE SYSTEM:

23 (A) AN AVERAGE MONTHLY PREMIUM OF \$1,000.00, PAYABLE FOR THE
24 LIFE OF THE QUALIFIED PARTICIPANT OR FORMER QUALIFIED PARTICIPANT,
25 WHICH APPROXIMATES THE OVERALL AVERAGE VALUE OF ALL TYPES OF
26 PREMIUM COVERAGES FOR SINGLE AND MULTIPLE LIVES DURING BOTH PRE-
27 MEDICARE AND POST-MEDICARE PERIODS.

1 (B) A FROZEN BENEFIT ACCRUAL PERCENT THAT IS THE PRODUCT OF 3%
2 AND THE QUALIFIED PARTICIPANT'S OR FORMER QUALIFIED PARTICIPANT'S
3 YEARS OF SERVICE AS OF SEPTEMBER 30, 2011, UP TO 30 YEARS.

4 (C) A DEFERRED LIFE ANNUITY FACTOR EQUAL TO THE ACTUARIAL
5 PRESENT VALUE AS OF SEPTEMBER 30, 2011 OF \$1.00 PER MONTH PAYABLE
6 FOR THE LIFE OF THE QUALIFIED PARTICIPANT OR FORMER QUALIFIED
7 PARTICIPANT, BASED ON THE FOLLOWING ACTUARIAL ASSUMPTIONS:

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

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

16 (iii) COMMENCEMENT OF THE \$1.00 PER MONTH DEFERRED LIFE ANNUITY
17 BASED ON AN ASSUMPTION THAT THE QUALIFIED PARTICIPANT WILL
18 TERMINATE EMPLOYMENT IMMEDIATELY UPON MEETING THE ELIGIBILITY
19 REQUIREMENTS OF SUBSECTION (2) (B) AND THAT THE FORMER QUALIFIED
20 PARTICIPANT WOULD HAVE RECEIVED HEALTH INSURANCE COVERAGE UPON
21 MEETING THE EARLIEST ELIGIBILITY REQUIREMENTS OF SUBSECTION (3) (B)
22 OR (4) (B) BASED ON HIS OR HER YEARS OF SERVICE AS OF SEPTEMBER 30,
23 2011.

24 (6) THE AMOUNT CALCULATED UNDER SUBSECTION (5) SHALL BE
25 INCREASED WITH INTEREST AT THE SPECIAL YEARLY INTEREST RATE PER
26 YEAR FROM SEPTEMBER 30, 2011 TO THE DATE OF THE QUALIFIED
27 PARTICIPANT'S OR FORMER QUALIFIED PARTICIPANT'S ACTUAL TERMINATION

1 OF EMPLOYMENT AS PROVIDED IN SUBSECTION (2) (B) OR (4) (B) OR THE
2 FORMER QUALIFIED PARTICIPANT'S ATTAINMENT OF THE AGE AND YEARS OF
3 SERVICE AS PROVIDED IN SUBSECTION (3) (B).

4 (7) IN LIEU OF ANY HEALTH INSURANCE COVERAGE PREMIUM THAT
5 MIGHT HAVE BEEN PAID BY THIS STATE UNDER SECTION 68, A CREDIT TO A
6 HEALTH REIMBURSEMENT ACCOUNT WITHIN THE TRUST CREATED UNDER THE
7 PUBLIC EMPLOYEE RETIREMENT HEALTH CARE FUNDING ACT, 2010 PA 77, MCL
8 38.2731 TO 38.2747, SHALL BE MADE BY THIS STATE FOR ANY QUALIFIED
9 PARTICIPANT WHO MEETS ALL OF THE FOLLOWING REQUIREMENTS:

10 (A) THE QUALIFIED PARTICIPANT HAD LESS THAN 4 YEARS OF SERVICE
11 ON SEPTEMBER 30, 2011 OR IS FIRST EMPLOYED BY THIS STATE ON OR
12 AFTER OCTOBER 1, 2011.

13 (B) THE QUALIFIED PARTICIPANT IS AT LEAST 65 YEARS OF AGE AND
14 HAS AT LEAST 10 YEARS OF SERVICE AT THE TIME OF HIS OR HER
15 TERMINATION OF EMPLOYMENT.

16 (C) THE QUALIFIED PARTICIPANT IS EMPLOYED BY THIS STATE
17 IMMEDIATELY PRIOR TO HIS OR HER TERMINATION OF EMPLOYMENT WITHOUT
18 PREVIOUSLY HAVING INCURRED A SEPARATION FROM STATE EMPLOYMENT OF
19 MORE THAN A 60-MONTH PERIOD AFTER OCTOBER 1, 2011.

20 (8) IN LIEU OF ANY HEALTH INSURANCE COVERAGE PREMIUM THAT
21 MIGHT HAVE BEEN PAID BY THIS STATE UNDER SECTION 68, A CREDIT TO A
22 HEALTH REIMBURSEMENT ACCOUNT WITHIN THE TRUST CREATED UNDER THE
23 PUBLIC EMPLOYEE RETIREMENT HEALTH CARE FUNDING ACT, 2010 PA 77, MCL
24 38.2731 TO 38.2747, SHALL BE MADE BY THIS STATE FOR ANY FORMER
25 QUALIFIED PARTICIPANT WHO MEETS ALL OF THE FOLLOWING REQUIREMENTS:

26 (A) THE FORMER QUALIFIED PARTICIPANT HAS LESS THAN 10 YEARS OF
27 SERVICE AS OF SEPTEMBER 30, 2011 AND WAS NOT A MEMBER, DEFERRED

1 MEMBER, OR FORMER NONVESTED MEMBER OF TIER 1.

2 (B) THE FORMER QUALIFIED PARTICIPANT IS SUBSEQUENTLY
3 REEMPLOYED BY THIS STATE AND AT TERMINATION OF THE SUBSEQUENT
4 REEMPLOYMENT IS AT LEAST 65 YEARS OF AGE AND HAS AT LEAST 10 YEARS
5 OF SERVICE.

6 (C) THE FORMER QUALIFIED PARTICIPANT IS EMPLOYED BY THIS STATE
7 IMMEDIATELY PRIOR TO HIS OR HER TERMINATION OF EMPLOYMENT WITHOUT
8 PREVIOUSLY HAVING INCURRED A SEPARATION FROM STATE EMPLOYMENT OF
9 MORE THAN A 60-MONTH PERIOD AFTER HIS OR HER SUBSEQUENT
10 REEMPLOYMENT.

11 (9) THE AMOUNT OF THE CREDIT AS DESCRIBED IN SUBSECTIONS (7)
12 AND (8) SHALL BE \$2,000.00 AND SHALL BE PAID UPON TERMINATION OF
13 EMPLOYMENT OF THE QUALIFIED PARTICIPANT OR UPON TERMINATION OF THE
14 SUBSEQUENT REEMPLOYMENT OF THE FORMER QUALIFIED PARTICIPANT.

15 (10) THIS SECTION 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 IS RECEIVING A HEALTH
23 INSURANCE COVERAGE PREMIUM PAID BY THIS STATE UNDER SECTION 68 ON
24 SEPTEMBER 30, 2011.

25 (11) THE RETIREMENT SYSTEM SHALL DETERMINE THE METHOD FOR
26 IMPLEMENTATION OF THIS SECTION.

27 (12) BEGINNING OCTOBER 1, 2011, THE RETIREMENT SYSTEM SHALL

1 ANNUALLY CALCULATE THE SPECIAL YEARLY INTEREST RATE SUBJECT TO THIS
2 SUBSECTION. THE SPECIAL YEARLY INTEREST RATE CALCULATED UNDER THIS
3 SUBSECTION SHALL NOT BE LESS THAN 0% AND SHALL NOT BE MORE THAN 3%.
4 AS USED IN THIS SECTION, "SPECIAL YEARLY INTEREST RATE" MEANS A
5 RATE CALCULATED WHERE THE NUMERATOR IS THE CONSUMER PRICE INDEX FOR
6 THE MONTH OF JUNE IMMEDIATELY PRECEDING EACH OCTOBER 1 AND THE
7 DENOMINATOR IS THE CONSUMER PRICE INDEX FOR THE MONTH OF JUNE
8 IMMEDIATELY PRECEDING THE PREVIOUS OCTOBER 1. AS USED IN THIS
9 SUBSECTION, "CONSUMER PRICE INDEX" MEANS THE CONSUMER PRICE INDEX
10 FOR ALL URBAN CONSUMERS, NOT SEASONALLY ADJUSTED, U.S. CITY
11 AVERAGE, ALL ITEMS, BASE YEARS 1982-1984, AS DETERMINED BY THE
12 UNITED STATES DEPARTMENT OF LABOR AND IN EFFECT OCTOBER 1, 2011. IF
13 THE CONSUMER PRICE INDEX IS RESTRUCTURED SUBSEQUENT TO 2011 IN A
14 MANNER MATERIALLY CHANGING ITS CHARACTER, THE RETIREMENT SYSTEM
15 SHALL SELECT A COMPARABLE INDEX AFTER CONSULTING WITH THE
16 RETIREMENT SYSTEM ACTUARY.

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

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

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

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

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

26 (c) If the person covered under any of the plans provided by
27 this act is also covered under another plan that does not contain a

1 coordination of benefits provision, the benefits under the other
2 plan shall be determined before the benefits provided pursuant to
3 this act.

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

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

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

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

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

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

1 cost-effective option for this state.

2 (5) SUBSECTION (1) DOES NOT APPLY TO THE STATE'S ENGAGING THE
3 SERVICES OF A RETIRANT IF THE STATE BUDGET DIRECTOR DETERMINES
4 THAT, AS A RESULT OF HIS OR HER PREVIOUS EMPLOYMENT WITH THE STATE,
5 THE RETIRANT POSSESSES SPECIALIZED EXPERTISE AND EXPERIENCE
6 NECESSARY FOR THE ENGAGEMENT AND THAT THE ENGAGEMENT IS THE MOST
7 COST-EFFECTIVE OPTION FOR THIS STATE.

8 SEC. 68E. (1) THERE IS APPROPRIATED FOR THE FISCAL YEAR ENDING
9 SEPTEMBER 30, 2011 \$1,900,000.00 TO THE OFFICE OF RETIREMENT
10 SERVICES IN THE DEPARTMENT OF TECHNOLOGY, MANAGEMENT, AND BUDGET
11 FOR ADMINISTRATION OF THE CHANGES UNDER THE AMENDATORY ACT THAT
12 ADDED THIS SECTION.

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

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

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

22 (C) THE TOTAL ESTIMATED COMPLETION COST OF THE WORK PROJECT IS
23 \$1,900,000.00.

24 (D) THE ESTIMATED COMPLETION DATE FOR THE WORK PROJECT IS
25 SEPTEMBER 30, 2012.

26 Enacting section 1. If the office of retirement services in
27 the department of technology, management, and budget receives

1 notification from the United States internal revenue service that
2 any section or any portion of a section of this amendatory act will
3 cause the retirement system to be disqualified for tax purposes
4 under the internal revenue code, then the portion that will cause
5 the disqualification does not apply.

6 Enacting section 2. This amendatory act does not take effect
7 unless Senate Bill No. 407

8 of the 96th Legislature is enacted into law.