SUBSTITUTE FOR

HOUSE BILL NO. 4264

A bill to amend 1943 PA 240, entitled

"State employees' retirement act,"

by amending sections 7, 20g, 38, 49, and 68b (MCL 38.7, 38.20g, 38.38, 38.49, and 38.68b), section 20g as amended by 1987 PA 241, section 38 as amended and section 68b as added by 2011 PA 264, and section 49 as amended by 2018 PA 336.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 7. The retirement board shall collect and keep in convenient form ~~such~~ **the** data ~~as shall be necessary~~ **necessary** for an actuarial valuation of the assets and liabilities of the retirement system; and for making an actuarial investigation into the mortality, service, compensation, and other experience of the members, retirants and beneficiaries of the retirement system. At least once in each 5 year period, the retirement board shall cause an actuarial investigation to be made into the mortality, service, compensation, and other experience of the members and beneficiaries of the retirement system. ~~Upon~~ **On** the basis of ~~such~~ **the** actuarial investigation the retirement board shall adopt ~~such~~ tables ~~as~~ **that** are ~~deemed~~ **considered** necessary for the proper operation of the retirement system and for making effective ~~the provisions of~~ this act. **The retirement board and department shall adopt, on the recommendation of the actuary and in accordance with all applicable actuarial standards of practice, the most current mortality tables that are most appropriate for the characteristics of the population. Beginning with the state fiscal year ending September 30, 2022, and for each subsequent state fiscal year, the actuary used by the retirement board shall assume a rate of return on investments and a discount rate of not more than 6.7% for pension and 6.9% for retiree health care, which rates may only be changed with the approval of the retirement board and the director of the department.**

Sec. 20g. (1) After the end of each state fiscal year, the department of **technology**, management, and budget shall determine the rate **and discount rate** of investment return earned on retirement system assets during the fiscal year, based ~~upon~~ **on** methods established by the retirement board.

(2) At the end of each state fiscal year, the retirement system's actuary shall determine the present value of retirement allowances to be paid after the end of the fiscal year to retirants and retirement allowance beneficiaries in receipt of retirement allowances at the end of the fiscal period. The assumed interest rate **and discount rate** used in the determination ~~shall be 8%~~ **must**

not exceed 8% per year, compounded annually.

(3) The distribution income at the end of each state fiscal year ~~shall~~ **must** be equal to the product of the present value of retirement allowances determined in subsection (2) at the end of the previous fiscal year times the positive excess, if any, of the rate of investment return determined in subsection (1) exceeding ~~8%. The distribution income calculated pursuant to this subsection at the end of the fiscal years 1984-85 and 1985-86 shall be reduced by the costs of postretirement adjustments paid during the fiscal year pursuant to sections 20b, 20c, 20e, and 20f.~~ **the assumed interest rate used under subsection (2).**

(4) After the end of each state fiscal year, each retirant and retirement allowance beneficiary in receipt of a retirement allowance at the end of the fiscal year, and whose effective date of retirement allowance preceded the beginning of that fiscal year, ~~shall~~ **must** be credited with 1 distribution unit for each full year between the effective date of retirement and the end of the fiscal year and 1 distribution unit for each full year of service credit in force on the effective date of retirement. Distribution units ~~shall~~ **must** not accumulate from 1 year to the next year.

(5) The distribution amount for an individual retirant or retirement allowance beneficiary ~~shall~~ **must** be equal to the product of the distribution income determined in subsection (3) times the individual's number of distribution units determined in subsection (4) divided by the total number of distribution units for all eligible retirants and retirement allowance beneficiaries in receipt of retirement allowances at the end of the fiscal year. The distribution amount for an individual retirant or retirement allowance beneficiary of a retirant whose retirement allowance

effective date is ~~on or~~ after ~~October 1,~~ **September 30,** 1987 is zero.

(6) The distribution amount for each retirant or retirement allowance beneficiary ~~shall be~~ **is** payable in the form of a supplemental payment ~~prior to~~ **before** the seventh month after the end of the state fiscal year. Except as provided in subsection (9), a distribution amount ~~shall~~ **is** not ~~be~~ payable after March 31, 1988. If a retirant dies before receipt of the distribution amount, the payment ~~shall~~ **must** be made to the retirant's retirement allowance beneficiary, if any. If both the retirant and the retirement allowance beneficiary die before receipt of the distribution amount, ~~no~~ **a** payment ~~shall~~ **must not** be made.

(7) ~~Each~~ **The retirement system shall increase each** retirement allowance ~~shall be increased~~ each October 1 beginning with ~~the later of October 1, 1988 or~~ the first October 1 ~~which~~ **that** is at least 12 months after the retirement allowance effective date. The amount of the annual increase ~~shall~~ **under this subsection must** be equal to 3% of the retirement allowance that would be payable as of the date of the increase without application of this subsection, except that if the member made the election permitted under section 20(2), the increase ~~shall~~ **must** be based on the amount of retirement allowance that would have been paid without application of section 20(2). The annual increase ~~shall~~ **must** not exceed $300.00.

(8) After the end of each state fiscal year, the cumulative increase amount ~~shall~~ **must** be computed for each retirant or retirement allowance beneficiary. The cumulative increase amount ~~shall~~ **must** be equal to the difference between the total retirement allowance paid during the state fiscal year and the retirement allowance that would have been payable without application of

subsection (7) and section 20h. The cumulative increase amount for any retirant or retirement allowance beneficiary whose retirement allowance effective date is ~~on or~~ after ~~October 1,~~ **September 30,** 1987 is zero.

(9) In March of each year, beginning in March, 1989, **the retirement system shall pay** each retirant or retirement allowance beneficiary, ~~shall be paid,~~ in a single supplemental payment, the excess, if any, of the distribution amount over the cumulative increase amount for the previous state fiscal year. If a retirant dies before receipt of a supplemental payment, the **retirement system shall pay the** supplemental payment ~~shall be made~~ to the retirant's retirement allowance beneficiary, if any. If both the retirant and the retirement allowance beneficiary die before receipt of a supplemental payment, ~~no payment shall be made.~~**the retirement system shall not make a supplemental payment.**

Sec. 38. (1) The annual level percent of payroll contribution rate to finance the benefits provided under this act ~~shall~~ **must** be determined by actuarial valuation ~~pursuant to~~ **under** subsections (2) and (3), ~~upon~~ **on** the basis of the risk assumptions adopted by the retirement board with approval of the department of technology, management, and budget, and in consultation with the investment counsel and the actuary. An annual actuarial valuation ~~shall~~ **must** be made of the retirement system ~~in order~~ to determine the actuarial condition of the retirement system and the required contribution to the retirement system. The actuary shall report to the legislature by April 15 of each year on the actuarial condition of the retirement system as of the end of the previous fiscal year and on the projections of state contributions for the next fiscal year. The actuary shall certify in the report that the techniques and methodologies used are generally accepted within the actuarial profession and that the assumptions and cost estimates used fall within the range of reasonable and prudent assumptions and cost estimates. An annual actuarial gain-loss experience study of the retirement system ~~shall~~ **must** be made ~~in order~~ to determine the financial effect of variations of actual retirement system experience from projected experience.

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

(3) Except as otherwise provided in this subsection, the contribution rate for benefits ~~shall~~ **must** be computed using an individual projected benefit entry age normal cost method of valuation. For the ~~1995-96~~ state fiscal year **ending September 30, 1996** and for each subsequent fiscal year in which the actuarial accrued liability for health benefits is less than 100% funded, the contribution rate for benefits provided under section 20d ~~shall~~ **must** be computed using a cash disbursement method with the payment schedule for the employer being based ~~upon~~ **on** and applied to the combined payrolls of the employees who are members and qualified participants. Beginning in the fiscal year after the fiscal year in which the actuarial accrued liability for health benefits under section 20d is at least 100% funded by the health advance funding subaccount created under section 11(9), and continuing for each subsequent fiscal year, the contribution rate for health benefits provided under section 20d ~~shall~~ **must** be computed using an individual projected benefit entry age normal cost method of valuation. The contribution rate for service that may be rendered

in the current year, the normal cost contribution rate, ~~shall~~ **must** be equal to the aggregate amount of individual entry age normal costs divided by 1% of the aggregate amount of active members' valuation compensation. The unfunded actuarial accrued liability ~~shall~~ **must** be equal to the actuarial present value of benefits reduced by the actuarial present value of future normal cost contributions and the actuarial value of assets on the valuation date. Except as otherwise provided in ~~this subsection,~~ **subsection (1)**, the unfunded actuarial accrued liability ~~shall~~ **must** be amortized in accordance with generally accepted governmental accounting standards over a period equal to or less than 40 years, with the payment schedule for the employer being based ~~upon~~ **on** and applied to the combined payrolls of the employees who are members and qualified participants. **Beginning with the state fiscal year ending September 30, 2028, and for each subsequent fiscal year, the retirement system shall use layered amortization. As used in this subsection, "layered amortization" means a fixed and closed period that separately layers the different components to be amortized over a fixed period not to exceed 10 years, as it emerges. The amortization period for layered amortization must use a level dollar amortization method. The normal cost contribution for any fiscal year must not be less than the normal cost component of the actuarially determined contribution.**

(4) The legislature annually shall appropriate to the retirement system the amount determined ~~pursuant to~~ **under** subsections (2) and (3). The state treasurer shall transfer monthly to the retirement system an amount equal to the product of the contribution rates determined in subsections (2) and (3) times the aggregate amount of active member or qualified participant

compensation, as appropriate, paid during that month. Not later than 60 days after the ~~termination~~ **end** of each state fiscal year, the executive secretary of the retirement board shall certify to the director of the department of technology, management, and budget the actual aggregate compensations paid to active members and qualified participants during the preceding state fiscal year. ~~Upon~~ **On** receipt of that certification, the director of the department of technology, management, and budget shall compute ~~the~~ **any** difference ~~, if any,~~ between actual state contributions received during the preceding state fiscal year and the product of the contribution rates determined in subsections (2) and (3) times the aggregate compensations paid to active members or qualified participants, as appropriate, during the preceding state fiscal year. Except as otherwise provided in subsection (5), ~~the~~ **any** difference ~~, if any, shall~~ **must** be submitted in the executive budget to the legislature for appropriation in the next ~~succeeding~~ state fiscal year. This subsection does not apply for those fiscal years in which a deposit occurs pursuant to subsection (6).

(5) ~~For~~ **Except as otherwise provided in this subsection, for any** differences occurring in fiscal years beginning on or after October 1, 1991, a minimum of 20% of ~~the~~ **any** difference between the estimated and the actual aggregate compensation and the estimated and the actual contribution rate described in subsection (4) ~~, if any,~~ may be submitted in the executive budget to the legislature for appropriation in the next ~~succeeding~~ state fiscal year and a minimum of 25% of the remaining difference ~~shall~~ **must** be submitted in the executive budget to the legislature for appropriation in each of the following 4 state fiscal years, or until 100% of the remaining difference is submitted, whichever first occurs. **For**

differences occurring in fiscal years beginning on or after October 1, 2022, a minimum of 34% of any difference between the estimated and the actual aggregate compensation and the estimated and the actual actuarial contribution rate described in subsection (4) must be paid by the employer in the next state fiscal year and a minimum of 50% of any remaining difference must be paid by the employer in each of the following 2 state fiscal years, or until 100% of the remaining difference is submitted, whichever first occurs. In addition, interest ~~shall~~ **must** be included for each year that a portion of the remaining difference is carried forward. The interest rate ~~shall~~ **must** equal the actuarially assumed rate of investment return for the state fiscal year in which payment is made. This subsection does not apply for those fiscal years in which a deposit occurs pursuant to subsection (6).

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

(7) Notwithstanding any other provision of this act, if the retirement board establishes an arrangement and fund as described in section 6 of the public employee retirement benefit protection act, 2002 PA 100, MCL 38.1686, the benefits that are required to be

paid from that fund ~~shall~~ **must** be paid from a portion of the employer contributions described in this section or other eligible funds. The retirement board shall determine the amount of the employer contributions or other eligible funds that ~~shall~~ **must** be allocated to that fund and deposit that amount in that fund before it deposits any remaining employer contributions or other eligible funds in the pension fund.

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

(2) The retirement system ~~shall~~ **must** be administered in compliance with section 415 of the internal revenue code, 26 USC 415, and regulations under that section that ~~are applicable~~ **apply** to governmental plans and, beginning January 1, 2010, applicable provisions of the final regulations issued by the Internal Revenue Service on April 5, 2007. Employer-financed benefits provided by the retirement system under this act must not exceed the applicable limitations set forth in section 415 of the internal revenue code, 26 USC 415, as adjusted by the commissioner of internal revenue under section 415(d) of the internal revenue code, 26 USC 415, to reflect cost-of-living increases, and the retirement system shall adjust the benefits, including benefits payable to retirants and retirement allowance beneficiaries, subject to the limitation each

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

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

(4) The retirement system shall return post-tax member contributions made by a member and received by the retirement system to a member on retirement, under Internal Revenue Service regulations and approved Internal Revenue Service exclusion ratio tables.

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

retirement system.

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

(7) Notwithstanding any other provision of this act to the contrary that would limit a distributee's election under this act, a distributee may elect, at the time and in the manner prescribed by the retirement board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. This subsection applies to distributions made after December 31, 1992. Beginning October 1, 2010, a nonspouse beneficiary may elect to have any portion of an amount payable under this act that is an eligible rollover distribution treated as a direct rollover that will be paid in a direct trustee-to-trustee transfer to an individual retirement account or individual retirement annuity described in section 408(a) or (b) of the internal revenue code, 26 USC 408, that is established for the purpose of receiving a distribution on behalf of the beneficiary and that will be treated as an inherited individual retirement account or individual retirement annuity under section 402(c)(11) of the internal revenue code, 26 USC 402.

(8) ~~For~~ **Except as otherwise provided in this subsection, for** purposes of determining actuarial equivalent retirement allowances under sections 31(1) and 20(2), the actuarially assumed interest rate must be determined by the director of the department of technology, management, and budget and the retirement board in

consultation with the actuary using the mortality tables adopted by the department of technology, management, and budget and the retirement board. **Beginning with the state fiscal year ending September 30, 2022 and for each subsequent state fiscal year, for purposes of determining actuarial equivalent retirement allowances under sections 31(1) and 20(2), the actuarially assumed interest rate and discount rate must not exceed 6.75%.**

(9) Notwithstanding any other provision of this act to the contrary, the compensation of a member of the retirement system must be taken into account for any year under the retirement system only to the extent that it does not exceed the compensation limit established in section 401(a)(17) of the internal revenue code, 26 USC 401, as adjusted by the commissioner of internal revenue. This subsection applies to an individual who first becomes a member of the retirement system after September 30, 1996.

(10) Notwithstanding any other provision of this act to the contrary, contributions, benefits, and service credit with respect to qualified military service must be provided under the retirement system in accordance with section 414(u) of the internal revenue code, 26 USC 414. This subsection applies to all qualified military service after December 11, 1994. Beginning on January 1, 2007, in accordance with section 401(a)(37) of the internal revenue code, 26 USC 401, if a member dies while performing qualified military service for purposes of determining death benefits payable under this act, the member is treated as having resumed and then terminated employment because of death.

Sec. 68b. (1) A qualified participant or former qualified participant who was first employed and entered ~~upon~~ **on** the payroll of his or her employer ~~on or~~ after ~~January 1, 2012~~ **December 31,**

2011 or who made an election under subsection (5) or (6) ~~shall~~ **will** not receive any health insurance coverage premium from this state under section 68. In lieu of any health insurance coverage premium that might have been paid by this state under section 68, a qualified participant's employer shall make a matching contribution up to 2% of the qualified participant's compensation to an appropriate tax-deferred account for each qualified participant who was first employed and entered ~~upon~~ **on** the payroll of his or her employer ~~on or~~ after ~~January 1, 2012~~ **December 31, 2011** or who made an election under subsection (5) or (6). A matching contribution under this subsection ~~shall~~ **must** not be used as the basis for a loan from an employee's Tier 2 or tax-deferred account.

(2) A qualified participant who was first employed and entered ~~upon~~ **on** the payroll of his or her employer ~~on or~~ after ~~January 1, 2012~~ **December 31, 2011** or who made an election under subsection (5) or (6) may make a contribution up to 2% of the qualified participant's compensation to an appropriate tax-deferred account.

(3) Except as otherwise provided in this subsection, a qualified participant is vested in contributions made to his or her tax-deferred account under subsections (1) and (2) according to the vesting provisions under section 64(1). A qualified participant who is eligible for health insurance coverage under section 67a(4) or (8) is not vested in any employer contributions under subsection (1) and forfeits the contributions and earnings on the contributions.

(4) The contributions described in this section ~~shall~~ **must** begin with the first payday after the qualified participant is employed or ~~on or~~ after ~~April 1,~~ **March 31,** 2012 for a qualified participant who makes an election under subsection (5) or (6) and

end ~~upon~~ **on** his or her termination of employment.

(5) Except as otherwise provided in this subsection, beginning January 3, 2012 and ending at 5 p.m. eastern standard time on March 2, 2012, the retirement system shall permit each qualified participant who is a qualified participant on December 31, 2011 to make an election to opt out of the health insurance coverage premium that would have been paid by this state under section 68 and opt in to the tax-deferred account provisions of this section effective April 1, 2012. A qualified participant who is a qualified participant on December 31, 2011 and who does not make the election under this subsection continues to be eligible for the health insurance coverage premium paid by this state under section 68 and is not eligible for the tax-deferred account provisions of this section. A qualified participant who is a qualified participant on December 31, 2011 and who makes the election under this subsection ~~shall cease~~ **ceases** accruing years of service credit for purposes of calculating a portion of the health insurance coverage premium that would have been paid by this state under section 68 as if that section continued to apply and for the portion of the amount to be calculated under subsection (7) for crediting to a tax-deferred account. This subsection does not apply to any of the following:

(a) A former member who made an election to become a qualified participant under section 50.

(b) A member who did not make the election under section 50a.

(c) A member who made the election under section 50a(1) and the designation under section 50a(2), who has attained 30 years of credited service, and who remains employed by this state.

(d) A former qualified participant who was a former qualified participant on December 31, 2011.

(6) Except as otherwise provided in this subsection, a former qualified participant who has 10 or more years of service on or before December 31, 2011 and who is reemployed by this state ~~on or~~ after ~~January 1, 2012~~ **December 31, 2011** and before January 1, 2014 may make an election under this subsection and receive an amount, if any, as determined under this section. Beginning on the date of the former qualified participant's reemployment and ending 60 days after the former qualified participant's first pay date, the retirement system shall permit the former qualified participant to make an election to opt out of the health insurance coverage premium that would have been paid by this state under section 68 and opt in to the tax-deferred account provisions of this section effective on or after the former qualified participant's date of reemployment. If the former qualified participant does not make the election under this subsection, he or she continues to be eligible for the health insurance coverage premium paid by this state under section 68 and is not eligible for the tax-deferred account provisions of this section. A former qualified participant who makes the election under this subsection ceases to accrue years of service credit for purposes of calculating a portion of the health insurance coverage premium that would have been paid by this state under section 68 as if that section continued to apply and for purposes of calculating the portion of the amount to be credited to a tax-deferred account under subsection (7). This subsection does not apply to any of the following:

(a) A former member who made an election to become a qualified participant under section 50.

(b) A member who did not make the election under section 50a.

(c) A member who made the election under section 50a(1) and the designation under section 50a(2), who has attained 30 years of credited service, and who remains employed by this state.

(7) Except as otherwise provided in this section, in lieu of any health insurance coverage premium that might have been paid by this state under section 68, the retirement system shall calculate an amount to be credited at termination to an appropriate tax-deferred account for each qualified participant who makes an election under subsection (5) or (6). The amount described in this subsection ~~shall~~ **must** be an amount calculated to approximate the actuarial present value as of 12 midnight March 31, 2012 of the projected retirant health benefits based on the current benefit structure under section 68 and the qualified participant's years of service as of March 31, 2012. The amount calculated under this subsection ~~shall~~ **must** be equal to the product of all of the following as determined by the retirement system in consultation with the actuary for the system:

(a) An average monthly premium of $1,000.00, payable for the life of the qualified participant, which approximates the overall average value of all types of premium coverages for single and multiple lives during both ~~pre-medicare~~ **pre-Medicare** and ~~post-medicare~~ **post-Medicare** periods.

(b) A frozen benefit accrual percent that is the product of 3% and the qualified participant's years of service as of March 31, 2012, up to 30 years.

(c) A deferred life annuity factor equal to the actuarial present value as of March 31, 2012 of $1.00 per month payable for the life of the qualified participant, based on the following actuarial assumptions:

(*i*) An interest discount rate of 4% annually for all future years, which approximates the use of an assumed rate of investment return or interest discount rate of 8%, combined with an assumption that the average premium is projected to increase 4% annually for all future years.

(*ii*) Mortality rates based on a 50% male - 50% female blend of the 1994 group annuity mortality table set forward 1 year for both males and females.

(*iii*) Commencement of the $1.00 per month deferred life annuity based on an assumption that the qualified participant will terminate employment ~~upon~~ **on** reaching age 60 and that the qualified participant would have received health insurance coverage immediately ~~upon~~ **on** termination of employment.

(8) The amount calculated under subsection (7) ~~shall~~ **must** be adjusted annually from March 31, 2012 to the date of the qualified participant's actual termination of employment. Except as otherwise provided in this subsection, the retirement system shall establish the amount of the annual adjustment to be equal to the change in the medical care component of the United States ~~consumer price index~~ **Consumer Price Index** for the most recent 12-month period for which data are available from the ~~bureau of labor statistics~~ **Bureau of Labor Statistics** of the United States ~~department~~ **Department** of ~~labor.~~ **Labor.** The adjustment under this subsection ~~shall~~ **must** not be less than 0% and ~~shall~~ **must** not be more than 4%.

(9) The amount calculated under subsection (7) and adjusted under subsection (8) ~~shall~~ **must** be credited at the qualified participant's first termination of employment following December 31, 2011, to the qualified participant's tax-deferred account according to the following schedule:

(a) One hundred percent of the calculated amount to a qualified participant who is at least 60 years of age with at least 10 years of service or is at least 55 years of age with at least 30 years of service.

(b) Fifty percent of the calculated amount to a qualified participant who has at least 10 years of service and who does not meet the age and service qualifications of subdivision (a).

(10) An individual who is a former qualified participant on December 31, 2011, who has 10 or more years of service on or before December 31, 2011, and who is reemployed by this state ~~on or~~ after ~~January 1, 2014 shall~~ **December 31, 2013 must** be treated in the same manner as a qualified participant under this section who made the election under subsection (5) and ~~shall~~ **must** receive an amount, if any, as determined under this section. This subsection does not apply to any of the following:

(a) A former member who made the election to become a qualified participant under section 50.

(b) A member who did not make the election under section 50a.

(c) A member who made the election under section 50a(1) and the designation under section 50a(2), who has attained 30 years of credited service, and who remains employed by this state.

(11) In lieu of any other health insurance coverage that might have been paid by this state, a credit to a health reimbursement account within the trust created under the public employee retirement health care funding act, 2010 PA 77, MCL 38.2731 to 38.2747, ~~shall~~ **must** be made by this state in the amounts and to the qualified participants or former qualified participants as follows:

(a) Two thousand dollars to a qualified participant who was first employed and entered ~~upon~~ **on** the payroll of his or her employer ~~on or~~ after ~~January 1, 2012,~~ **December 31, 2011,** who is 60 years of age or older, and who has at least 10 years of service at his or her first termination of employment.

(b) One thousand dollars to a qualified participant who was first employed and entered ~~upon~~ **on** the payroll of his or her employer ~~on or~~ after ~~January 1, 2012,~~ **December 31, 2011**, who is less than 60 years of age, and who has at least 10 years of service at his or her first termination of employment.

(c) Two thousand dollars to a former qualified participant who has less than 10 years of service as of December 31, 2011, who is reemployed by this state ~~on or~~ after ~~January 1, 2012,~~ **December 31, 2011**, who is 60 years of age or older, and who has at least 10 years of service at his or her first termination of employment following December 31, 2011. This subdivision does not apply to an individual described in subsection (10)(a), (b), or (c).

(d) One thousand dollars to a former qualified participant who has less than 10 years of service as of December 31, 2011, who is reemployed by this state ~~on or~~ after ~~January 1, 2012,~~ **December 31, 2011**, who is less than 60 years of age, and who has at least 10 years of service at his or her first termination of employment following December 31, 2011. This subdivision does not apply to an individual described in subsection (10)(a), (b), or (c).

(e) Two thousand dollars shall be the minimum amount credited to a qualified participant who made an election under subsection (5) and who does not otherwise qualify for an amount or qualifies for a lesser amount under this subsection at his or her first termination of employment after December 31, 2011.

(12) The retirement system shall determine a method to implement subsections (5) to (11), including a method for crediting the amounts in subsection (9) to comply with any contribution

limits imposed by the internal revenue code, including, but not limited to, crediting of payments before termination of employment.

(13) Subsections (5) to (11) do not apply to a qualified participant who is eligible for health insurance coverage under section 67a(4) or (8).

(14) On or before January 1, 2017, the retirement system shall provide a report to the chair of the house and senate appropriations committees that provides the projected impact of subsection (11) as it applies to qualified participants entered ~~upon~~ **on** the payroll of this state ~~on or~~ after ~~January 1, 2017~~ **December 31, 2016** with regard to the annual required contribution as used by the governmental accounting standards board and for purposes of the annual financial statements prepared under section 12(1).